CNSOPB

CANADA-NOVA SCOTIA
OFFSHORE PETROLEUM BOARD

2010/2011 ANNUAL REPORT

Leading Through Efficient Fair and Competent Regulation

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LEFT TO RIGHT
DIANA DALTON
& STUART PINKS

Report from the Chair & CEO

The past year was a significant one for the oil and gas industry world-wide. During this time, the industry experienced a great tragedy with the blowout of the Macondo well in the Gulf of Mexico in April which saw the loss of 11 lives. As well, the Montara blowout in offshore Australia has also provided us with "lessons learned". Findings and recommendations from the Macondo and Montara incidents, and from the crash of a Sikorsky S-92 helicopter offshore Newfoundland in March 2009 have resulted in a critical assessment of how the Board fulfills its regulatory mandate.

The Board recognizes the need to maintain public confidence that offshore oil and gas activities continue to be conducted safely without putting the environment at undue risk. It is clear that, among other things, an increased amount of consultation with government, industry representatives, workers and other stakeholders is necessary if further improvements are to be implemented over time. The Board considers it extremely important to rigorously review its internal structure and procedures so we can ensure that safety is never compromised.

During the past year, Board geoscientists have contributed significant technical expertise to the Nova Scotia Department of Energy's Play Fairway Analysis Project. This project will serve a key role in providing potential explorers with a more comprehensive understanding of the geoscientific knowledge of Nova Scotia's offshore. We believe this initiative is one of the most important studies done on our offshore to date, and that it will result in a renewed interest in our offshore. Once finalized, the Board will integrate the results of the Play Fairway Analysis into its rights management process, and specifically in the selection of lands for future Calls for Bids for exploration licences.

The continued effective operation of the Sable Offshore Energy Project, the commissioning of the Deep Panuke Offshore Gas Development Project in late 2011, and the prospect of a renewed interest in exploration as a result of the Play Fairway Analysis, place Nova Scotia in an exciting position with respect to future offshore developments. This Board continues its commitment to ensuring that Nova Scotia's offshore is well managed and is a safe place to work. We will continue to implement world class standards and procedures in our regulation of the offshore oil and gas industry.

Sincerely,

Diana Lee Dalton,
Chair

Stuart Pinks,
CEO

1.0 Core Regulatory Responsibilities

The Board's core regulatory responsibilities span the full lifecycle of offshore activities ranging from resource assessments, exploration, development, production and abandonment. These core regulatory responsibilities are aligned with the Board's mandate which is described below.

BOARD MANDATE

The Board is the independent joint agency of the Governments of Canada and Nova Scotia responsible for the regulation of petroleum activities in the Nova Scotia offshore area, including:

- Health and safety for offshore workers;
- Protection of the environment during offshore petroleum activities;
- Management and conservation of offshore petroleum resources;
- Compliance with the provisions of the Accord Acts that deal with Canada-Nova Scotia employment and industrial benefits;
- Issuance of licences for exploration and development; and
- Resource evaluation, data collection, curation and distribution.

The Board's mandate and core regulatory responsibilities are guided by a regulatory framework which consists of: legislation, regulations, guidelines, decision reports, memoranda of understanding and other regulatory documents.

1.1 STRATEGIC DIRECTION

In addition to delivering on its core regulatory mandate and providing support to government led initiatives, the Board focused on the following three strategic priorities in 2010-11:

i. Optimizing Resource Management

ii. Regulatory Modernization

iii. Organizational Excellence

Progress has been made in each of these areas, and includes:

- Ongoing implementation of the digital data management policy for seismic and well information continued to facilitate the flow of digital exploration and production data into the Board's Geoscience Research Centre (GRC) and Data Management Centre (DMC);
- Collaboration with governments and other regulators on the modernization of the regulations and guidelines that govern offshore petroleum activities;
- Completing a significant update of the Board's human resources policies and procedures.

The Board will build on the successes from 2010-11 and will maintain its focus on these three strategic priorities in the coming fiscal year.

2.0 Summary of Offshore Work or Activities

No work or activity related to the exploration for, development of or transportation of petroleum can be conducted without a specific authorization issued by the Board.

Prior to issuing any such authorizations, the Board requires that the following be submitted in a satisfactory form:

- Canada-Nova Scotia Benefits Plan;
- Development Plan (for development related activities);
- Safety Plan;
- Environmental Assessment;
- Environmental Protection Plan;
- Spill Contingency Plan;
- Financial Security;
- Summary of Proposed Operations;
- Certificate of Fitness (if applicable); and
- Declaration of Operator.

The Board must be satisfied with the information provided before it will issue a work or activity authorization.

Figure 1 provides a summary of work or activity authorization applications that were submitted and approved between April 1 and March 31 over the last four fiscal years.

FIGURE 1

ACTIVITY APPROVED	NUMBER OF APPLICATIONS APPROVED			
	2007-08	2008-09	2009-10	2010-11
DRILLING				
Drilling Program Authorization	-	-	2	-
Approval to Drill a Well	-	-	3[a]	-
Application to Alter a Well				3
GEOPHYSICAL/GEOTECHNICAL/GEOCHEMICAL				
Seismic	-	-	-	1
Seabed/Geotechnical Evaluations	1	1	-	-
INSTALLATIONS				
Authorization to Install				
Flowline section clearance and ROV survey (Deep Panuke)	-	1	-	-
Phase 1 – Pre-Lay Survey (Deep Panuke)	-	1	-	-
Phase 2 – Pipelay, trenching and pre-commissioning (Deep Panuke)	-	-	1	-
Wellhead protection structures and associated pile driving (Deep Panuke)	-	-	1	-
Flowline Installation Program (Deep Panuke)				1
DIVING				
Diving Program Authorization	1	-	-	1
PRODUCTION				
Production Operations Authorization (SOEP)				
Renewal of Authorization	-	1	-	1
Application to Alter a Well	-	2	2	-
TOTAL	**2**	**6**	**9**	**7**

Notes: a. Comprises two wells plus one sidetrack.

3.0 Health & Safety

The health and safety of offshore workers is paramount for the Board.

Prior to the Board authorizing any petroleum activity in the Nova Scotia offshore area, an operator must clearly demonstrate that it has a robust safety management system in place, and must describe how it is being applied to the specific activity that is to be conducted by way of a safety plan. An operator must also demonstrate that it has properly identified the health and safety hazards associated with the proposed work or activity, and that the associated risks have been evaluated and can be appropriately mitigated and managed.

Once an authorization has been issued, the Board has a compliance monitoring and enforcement program in place to verify that operators follow their safety management system and comply with regulatory requirements. This monitoring also assures that the necessary actions are taken by an operator to correct any non-compliances that are identified and to prevent their recurrence.

3.1 PRE-AUTHORIZATION SAFETY REVIEWS

In support of an application for authorization to conduct any petroleum activity in the Nova Scotia offshore area, an operator must submit prescribed safety-related documentation, including a safety plan, for Board review. A safety plan sets out the procedures, practices, resources, sequence of key safety-related activities and monitoring measures necessary to ensure the safety of a proposed work or activity. A safety plan is an integral component of an operator's safety management system framework.

In conducting its review of safety-related documentation, Board staff ensures that the written policies, programs, and procedures appropriately address a number of safety critical aspects including:

- Management system linkages;
- Hazard identification, risk assessment and risk control;
- Authorities/command structure;
- Physical environmental monitoring;
- Training & qualifications;
- Compliance monitoring; and
- Contingency/emergency response planning.

In cases where the proposed work or activity requires use of a drilling, production, diving, or accommodation installation, an application for authorization must be supported by a valid Certificate of Fitness issued by a Certifying Authority. The Certifying Authority is required to review the design, construction, installation and operating manuals for the installation and certify to the Board that the installation is fit for its intended purpose, that it is in compliance with the regulations and that it can be operated safely without polluting the environment. The Board's Chief Safety Officer is responsible to review and approve the scope of work to be performed by the Certifying Authority in each instance.

As part of their safety reviews, Board staff may conduct their own pre-authorization inspection and audits of vessels and installations for regulatory compliance prior to the issuance of a work or activity authorization.

One of the final requirements before issuing an authorization is the issuance of a *"Declaration of Operator"* by the operating company. This declaration asserts that:

- A detailed assessment has been made of the operator's readiness to proceed;
- All equipment, personnel and procedures are proven fit to proceed safely; and
- They will remain this way until the end of the activity.

A final and critical step in the authorization process is the recommendation by the Board's Chief Safety Officer that the proposed activity can be carried out safely after considering the system as a whole and its components including its structures, facilities, equipment, operating procedures and personnel.

Only upon the successful assessment by Board safety specialists, the issuance of an acceptable Certificate of Fitness by the Certifying Authority (if applicable), the issuance of an acceptable "Declaration of Operator", and the recommendation of the Chief Safety Officer, can an authorization be considered for issuance by the Board's CEO. This is subject to the acceptable completion of other non-safety related assessments carried out by other Board staff in relation to other aspects of the Board's regulatory mandate.

3.1.1 Specific Highlights from the Year

In 2010-11, the Board approved 7 authorizations for petroleum-related work or activities in the Nova Scotia offshore area, as shown in Figure 1. Board pre-authorization safety reviews were related to the following:

SABLE OFFSHORE ENERGY PROJECT (SOEP) OPERATED BY EXXONMOBIL

- The Operations Authorization (Production) expired in November, 2010. Although this project was already subject to ongoing compliance and enforcement activities, a pre-authorization review was conducted against the filing requirements of the recently promulgated Drilling and Production Regulations. Authorization was granted to continue production, with a three year validity extending into 2013.

DEEP PANUKE OFFSHORE GAS DEVELOPMENT PROJECT (DEEP PANUKE PROJECT) OPERATED BY ENCANA

- In the 2009-10 fiscal year, authorization was granted for a Drilling Program that included drilling an acid gas injection well and completing four previously drilled wells for production purposes using the Rowan Gorilla III mobile offshore drilling unit.
- In this fiscal year, and under the above Drilling Program, well approvals were granted to complete the four Deep Panuke production wells. Once they were completed, the wells were safely suspended awaiting field start-up in late 2011.

- Authorization was granted to survey and install infield production flowlines and an acid-gas injection flowline using the following vessels:
  - Surveys and flowline placement by the Acergy Falcon
  - Flowline trenching and burying by the Deep Cygnus
- Authorization was also granted to conduct a three-day diving program at the platform end of the gas export pipeline, conducted by the Acergy Discovery.
- In anticipation of an application for an Operations Authorization (Production) later in 2011, Board staff had significant involvement with Encana throughout the fiscal year in pre-authorization activities. This included the inspection of the newly constructed Production Field Centre and associated ocean transport barge in the United Arab Emirates.

HUSKY ENERGY GEOPHYSICAL PROGRAM

- Authorization was granted separately by the Canada-Nova Scotia Offshore Petroleum Board (CNSOPB) and the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) to conduct a geophysical survey. Work was conducted by the Harrier Explorer in an area that crossed the Newfoundland-Labrador and Nova Scotia jurisdictional boundary.

Associated pre-authorization audits and inspections are noted in Figure 2.

3.2 COMPLIANCE MONITORING AND ENFORCEMENT

Activities authorized by the Board are subject to compliance monitoring by Board staff on an ongoing basis.

Operators must submit a variety of reports to the Board providing information on the status of their work programs, and to confirm compliance with specific regulatory requirements. Operational status reports are provided daily for drilling and production activities, and weekly for other activities. Reports filed are reviewed by Board staff to identify potential health and safety compliance issues.

The Board also routinely reviews minutes from Joint Occupational Health & Safety Committee (JOHSC) meetings held offshore to ensure that health and safety matters raised through this forum are dealt with appropriately by the operator.

Board staff regularly conduct health and safety compliance audits and inspections at offshore work sites where authorized work or activities are being carried out.

As a result of the monitoring of day to day operations, or as a result of conducting audits and inspections, Board staff may identify or become aware of workplace conditions or actions that are non-compliant with requirements set forth in legislation or regulations, or affixed as a condition of authorization. Pursuant to the Board's established compliance and

enforcement policy, the Board will normally seek voluntary compliance from the operator to correct such matters, but other possible actions may include: issuance of orders, suspension or revocation of approvals and authorizations, and prosecution.

Operators are required to report health and safety related incidents to the Board when they occur. For each reported incident, the Board verifies that the operator has taken the appropriate actions to determine the cause of the incident and to prevent its recurrence. The Board reviews this information, as well as information from other independent sources, to determine possible trends and commonalities, and to identify specific target areas for improvement. More significant incidents may also be investigated independently by Board staff.

3.2.1 Specific Highlights from the Year

In 2010-11, the Board conducted the above described oversight for several authorized activities. Associated audits and inspections are listed in Figure 2. Regulatory oversight was related to the following activities:

SABLE OFFSHORE ENERGY PROJECT OPERATED BY EXXONMOBIL

- Continued production at the five producing locations.

DEEP PANUKE OFFSHORE GAS DEVELOPMENT PROJECT OPERATED BY ENCANA

- Well completion program by the Rowan Gorilla III;
- Infield flowline installation program;
- Gas export pipeline diving program.

HUSKY ENERGY GEOPHYSICAL PROGRAM

- Oversight was shared with the C-NLOPB.

INCIDENT INVESTIGATIONS

- All reportable incidents were followed-up by Board Staff to ensure that incident causes were identified and corrective actions were identified.
- A situation regarding deck loading on the Rowan Gorilla III was investigated by Board staff. Lessons learned and recommendations regarding improvements to variable deck load management are being discussed with the operators, Rowan, and the Certifying Authorities.

FIGURE 2

AUDITS AND INSPECTIONS

Auditee	Installation/Vessel Name	Installation/Vessel Type	Summary of Audit Focus	Audit Date
Husky Oil	M/V Harrier Explorer	2D Seismic Vessel	Pre-Authorization	07-Apr-10
ExxonMobil	Thebaud Compression	Installation - Fixed Platform	Focused - Health & Safety	02-Jun-10
ExxonMobil	M/V Anticosti	Seismic Vessel	Pre-Authorization	09-Jun-10
Encana	Acergy Falcon	Flowline Installation Vessel (Pipelay/Survey)	Pre-Authorization	15-Jun-10
Encana	Acergy Discovery	Diving Vessel	Pre-Authorization	18-Jul-10
Encana	Deep Cygnus	Trenching Vessel	Pre-Authorization	12-Aug-10
Encana	RGIII at Panuke H-08	Installation - Jack-up	Focused - Safety	26-Aug-10
Encana	RGIII at Panuke M-79A	Installation - Jack-up	Focused - Safety	06-Oct-10
ExxonMobil	Thebaud, Alma, N. Triumph S. Venture, Venture	Installation - Fixed Platform	Focused - Safety	21-Oct-10
ExxonMobil	Thebaud	Installation - Fixed Platform	Focused - Safety	07-Feb-11
Encana	Production Field Centre	Installation - Fixed Platform	Pre-Authorization	04-Mar-11
Encana	Boa Barge	Barge	Pre-Authorization	07-Mar-11
ExxonMobil	Thebaud, Alma, N. Triumph	Installation - Fixed Platform	Focused - Environment	15-Mar-11
Encana	Acergy Falcon	Flowline Installation Vessel	Pre-Authorization	25-Mar-11
Encana	Acergy Discovery	Dredger	Pre-Authorization	28-Mar-11
ExxonMobil	Thebaud	Installation - Fixed Platform	Focused - Health & Safety	28-Mar-11

3.3 SAFETY PERFORMANCE

INJURY STATISTICS

In the 2010-11 fiscal year, there were 787,522 person hours worked under Board authority in the Nova Scotia Offshore Area. During that period, there were 3 disabling injuries (see Figure 3 for greater detail). The Board has assured that these incidents have been investigated and that corrective actions have been taken.

FIGURE 3

YEAR	2005	2006	2007	2008	2009-10	2010-11
NUMBER OF DISABLING INJURIES*						
Installations	1	4	0	1	4	2
Vessels	1	1	0	0	4	1
Aviation	0	0	0	0	0	0
Total	**2**	**5**	**0**	**1**	**8**	**3**
PERSON HOURS						
Installations	601,669	740,755	274,080	230,880	551,033	339,334
Vessels	163,877	182,173	98,547	87,993	1,060,901	403,868
Aviation	45,635	54,620	29,424	27,312	34,154	44,320
Total	**811,181**	**977,548**	**402,051**	**346,185**	**1,646,088**	**787,522**
FREQUENCY RATE (PER 200,000 PERSON HOURS)						
Installations	0.33	1.08	0	0.87	1.45	1.18
Vessels	1.22	1.10	0	0	0.75	0.50
Aviation	0	0	0	0	0	0
Total	**0.49**	**1.02**	**0**	**0.58**	**0.97**	**0.76**

Explanatory footnotes for injury statistics chart:

*The term "disabling injury" means an employment injury or an occupational disease that

(a) prevents an employee from reporting for work or from effectively performing all the duties connected with the employee's regular work on any day subsequent to the day on which the disabling injury occurred, whether or not that subsequent day is a working day for that employee,

(b) results in a loss by an employee of a body member or part thereof or in a complete loss of its usefulness, or

(c) results in the permanent impairment of a body function of an employee.

3.4 SECURITY

The Board continues to promote measures aimed at protecting the security of facilities involved in oil and gas exploration and production in the Nova Scotia offshore area in alignment with the government of Canada's National Critical Infrastructure Assurance Program. Board representatives attend semi-annual classified briefings held in Ottawa by the Energy Infrastructure Protection Division (EIPD) of Natural Resources Canada, in collaboration with the Canadian Security Intelligence Service. These briefings are attended by energy sector stakeholder personnel with appropriate security clearance, and are provided as part of an EIPD effort to facilitate the exchange of information between the public and private sectors.

The Board is engaged in discussions with Transport Canada, which has certain responsibilities for security under the Marine Transportation Security Act, to develop a functional memorandum of understanding (MOU). The intent of this MOU is to align regulatory practices for assuring the security of vessels and marine facilities involved in offshore oil and gas activities.

3.5 REGULATORY QUERIES

Operators and installation owners may wish to seek clarification on a regulatory requirement, propose use of alternate equipment, methods, measures or standards to those referenced in the regulations, or seek an exemption from a regulatory requirement. The Board's Chief Safety Officer and/or Chief Conservation Officer may authorize such regulatory deviations if satisfied that the proposal would provide an equivalent or acceptable level of safety, protection of the environment and resource conservation.

In 2010-11, there were ten regulatory queries approved by the Board, nine for the Deep Panuke project and one for SOEP.

FIGURE 4

RQF'S

Originator	Installation/Vessel	Subject	Date Submitted
Encana	Deep Panuke	Fire Hydrant Systems - Hose Lengths	16-Apr-10
Encana	Deep Panuke	Flame Arrestors in Exhausts of Fire Water Diesel Generators	11-May-10
Encana	Deep Panuke	Evacuation System	02-Jun-10
Encana	Deep Panuke	Use of combustible materials in a production installation	22-Jun-10
ExxonMobil	Thebaud	Fire Water Pump - Exhaust Gas Cooling System	29-Jun-10
Encana	Deep Panuke	Certifying Organizations	14-Jul-10
Encana	Deep Panuke	Certifying Organizations	16-Jul-10
Encana	Acergy Discovery	Certificate of Fitness	09-Aug-10
Encana	Deep Panuke	Installation on Galley Ventilation Ductwork in Accommodations Areas	10-Nov-10
Encana	Deep Panuke	Thermocouple Extension Cables & Electric Ignition Cables for Flare Tip Applications	09-Mar-11

3.6 KEY INITIATIVES

3.6.1 International Regulators' Forum

Canada hosted the third International Regulators' Offshore Safety Conference in Vancouver, British Columbia, in October 2010. The conference was organized by the International Regulators' Forum (IRF), which comprises offshore oil and gas regulators from nine countries. Close to 200 delegates representing industry and regulators from 17 countries attended the event for the opportunity to exchange information on such topics as:

- Offshore health and safety trends
- Industry health and safety performance
- Lessons from incidents
- Industry best practices
- Regulatory practice
- Effectiveness of regulatory activities

The conference was also the first opportunity for regulators and industry players to come together to have an open and frank dialogue about offshore safety since the Macondo blowout in the Gulf of Mexico on April 20, 2010.

Delegates heard from experts in the areas of well control; performance indicators; continuous improvement programs; change management and the challenges ahead for new and established regulators. A central theme that emerged from the presentations and the discussions at the conference was the need for a strong and vibrant safety culture on installations. Delegates agreed that certain regulatory and management practices are more conducive to developing and sustaining such a culture and should be adopted by all.

Some of the key findings and recommendations of the conference included:

- Regulatory regimes function most effectively when a single entity has broad safety responsibility. Gaps, overlap and confusion are not in the interest of safety or regulatory efficiency; and
- Government and industry should promote a continuous improvement mentality. Strong communication among regulators, operators, contractors, workers, and public interest groups is essential for a strong safety culture.

Following the conference, IRF members held their annual plenary meeting and approved a strategic agenda under which IRF members would collectively focus on the following topics and report back at an IRF Summit Conference to be held in Stavanger, Norway in October 2011:

- Safety culture and leadership;
- BOP integrity and operational issues;
- Performance indicators;
- Operator competency/capacity criteria; and
- Use of standards and industry best practice.

Further information on IRF activities can be found on its website: http://www.irfoffshoresafety.com.

3.6.2 Accord Act OHS Amendments

Provincial and federal governments continue to finalize proposed amendments to the Accord Acts regarding offshore occupational health and safety (OHS). Significant progress was made during 2010-11 and Board staff assisted governments with public consultation and in further revising the legislative amendments. While this process continues, the Board's Occupational Health & Safety (OHS) Requirements remain in place to provide protection for offshore petroleum workers and direction to operators. The Board's OHS Requirements are a condition of all activities authorized by the Board.

3.6.3 Helicopter Transportation Safety

During the past year, the Board has been engaged in several efforts directed towards the safety of helicopter transportation.

The Board remains active on the Canadian Association of Petroleum Producers (CAPP) Atlantic Canada Offshore Petroleum Training and Qualifications Committee which, among other things, evaluates and identifies potential improvements to training programs, including those specific to offshore survival training.

The Board's Chief Safety Officer is a voting member on two sub committees of the Canadian General Standards Board (CGSB), the marine immersion and helicopter transport suit standard committees. The Chief Safety Officer also participates in the working group tasked with the re-write of the helicopter safety suit standard which is targeted for publication in 2011. Although still in draft form, to date there has been a very significant revision to the standard with an emphasis on performance testing and test protocol validation. Significant improvements include a realistic leak testing protocol, representative thermal testing with human subjects in actual conditions and enhanced suit performance requirements. Suit sizing parameters have also been completely revised.

Findings and recommendations emanating from the crash of a Sikorsky S-92 helicopter in March 2009 in Newfoundland's offshore jurisdiction will continue to guide continuous improvement in how the Board fulfills its mandate to promote health and safety in the Nova Scotia offshore area. As the Board continues to review the findings and recommendations of the Wells Report, it is clear that, among other things, an increased amount of consultation will need to be conducted with industry representatives, workers and other stakeholders if beneficial improvements are to be identified and then implemented. Board staff has engaged regional and national partners, as well as international regulators in pursuit of knowledge necessary to improve approaches to helicopter safety.

FRONT TO BACK. (L-R)
KIM HILCHIE, DON LOGAN, KEITH LANDRA, GERALD SHEEHAN, ROBERT NORMORE & BOB HALE.
MISSING: DAVE SCRATCH & ERIC THERIAULT.

3.6.4 Drilling Safety

On April 20, 2010, an explosion on the Deepwater Horizon drilling platform, caused by a blowout killed 11 crewmen and resulted in the largest oil spill in North American history. In response to this event, Board staff has been actively reviewing multiple reports and studies that have since been undertaken in order to monitor lessons learned and recommendations for regulatory improvement. As more reports are released, the Board continues to review its own regulatory practices in comparison to the various findings presented. Several updates have been made to the joint CNSOPB/C-NLOPB *Drilling and Production Guidelines* which will be published in the next update in 2011.

4.0 Protection of the Environment

The Board's mandate includes protection of the offshore environment during all phases of petroleum activity, including exploration, development, production and project abandonment. The Board ensures that petroleum activities are conducted in a manner in which environmental hazards are properly identified, and the associated risks assessed and then mitigated and managed.

Environmental Assessments (EAs) are required of operators prior to the Board's authorization of any proposed offshore petroleum related work or activity. The Board is a Federal Authority under the Canadian Environmental Assessment Act (CEAA) and follows the environmental assessment requirements prescribed in the Act. All environmental assessments must also be in compliance with the Species at Risk Act to ensure the protection of listed species that may be affected by offshore activities. The Board may impose additional mitigation measures or operating constraints on an authorization as a result of the findings of an environmental assessment. Environmental Effects Monitoring (EEM) is used to confirm predicted project effects and verify mitigation measures identified during the EA process. EEM programs are conducted annually and consist of multiple scientific surveys of valued ecosystem components (VECs).

In support of the authorization process, the operator must submit an environmental protection plan (EPP), and a spill response plan. Both plans indentify hazards and describe how the operator's management structure and operational practices will ensure environmental protection.

Authorization is only granted to the operator if the EPP and spill response plan is deemed acceptable by the Board. The EPP must, among other things, contain commitments to follow the *Offshore Waste Treatment Guidelines*, and the *Offshore Chemical Selection Guidelines*. Operator commitments to protect the environment, made in the EA and EPP, are monitored for compliance by Board staff. Operators are required to submit daily and monthly reports on key processes and activities for review by Board environmental staff, who also conduct environmental compliance audits and inspections.

4.1 ENVIRONMENTAL ASSESSMENT

4.1.1 General Overview

Since July 2003, all offshore oil and gas activities have been subject to EA under CEAA. This includes both exploration and development projects. There have been 12 EAs conducted since 2003, including three to validate the results of previously approved reports. EAs are required prior to authorizing a work activity.

Consideration of public comments is an important part of the EA review process. The level of public participation varies with each project. An internet-based Public Registry, managed by the Canadian Environmental Assessment Agency, tracks all EAs conducted under the CEAA. All EAs undertaken by the Board pursuant to the CEAA are listed on this registry. The Board also posts project descriptions, scoping

documents, and related correspondence on its own website. From this website the public can follow correspondence and reports regarding a proposed work or activity from the project description stage, through the EA and the associated follow-up activities. The public may also submit comments to the Board during the EA process.

4.1.2 Summary of Environmental Assessments Conducted

Two EAs were completed during 2010-11. Husky Energy submitted a project description and environmental assessment for a 2D/3D seismic program within C-NLOPB Exploration Licence (EL) 1115 that continued across the C-NLOPB/CNSOPB jurisdictional boundary line into Nova Scotia waters. The Board's EA determination was transmitted to Husky Energy on June 22, 2010. During the summer months, the seismic program itself was completed. In early 2010, ExxonMobil Canada Properties submitted a project description for a seabed survey program in the vicinity of the existing Sable Offshore Energy Project (SOEP), over the undeveloped fields Glenelg and Citnalta and other possible prospects. The final EA determination was given on April 30, 2010; however the proponent decided not to pursue the proposed program during 2010-11.

During the year, Board staff also coordinated ongoing efforts between the Department of Fisheries and Oceans (DFO), Environment Canada (EC), and the Board to review post-EA follow-up activities for the Deep Panuke project. This cooperation ensures that obligations under CEAA and CNSOPB requirements continue to be met by the operator.

4.2 ENVIRONMENTAL PROTECTION PLANS AND SPILL RESPONSE PLANS

4.2.1 General Overview

In order for operators to receive an activity authorization for exploration, or production activities offshore, they are required to submit an Environmental Protection Plan (EPP) as part of their application to the Board. An EPP sets out the procedures, practices, resources, and monitoring necessary to manage hazards to protect the environment from the proposed work or activity. Key components of an EPP include summaries of procedures, practices, and management linkages in place to protect environmental integrity and may include reference to other documents that supplement environmental protection efforts to be undertaken by an operator. It serves as a reference document for all project personnel that describes, or provides a map to, all environment related processes and documents.

The EPP assists the Board with their consideration of environmental protection when reviewing applications for work or activity authorizations. The EPP demonstrates that the operator will take

all reasonable and practicable steps to achieve environmental protection for the proposed work or activities, taking into account the interaction of all components including structures, facilities, equipment, operating procedures and personnel.

An essential part of an EPP is the spill response plan. A spill response plan identifies relevant risks and provides guidance for responding to incidents. The plan assists the operator, its employees and contractors, as well as the Board, in preparing for, and responding to any spills from the project or activity. The goal of a spill response plan is to reduce the impact on people, property, the environment, and to mitigate an incident as quickly as possible. Spill response plans for Nova Scotia's offshore projects are now available on the CNSOPB website.

4.2.2 Specific Highlights from the Year

During 2010, the Deep Panuke Flow Line Installation Environmental Protection Plan/ Environmental Effects Monitoring (EPP/ EEM) program was reviewed and approved. Presently, the EPP for the Deep Panuke's production phase, submitted late 2010, is under review by Board staff.

4.3 ENVIRONMENTAL EFFECTS MONITORING

4.3.1 General Overview

Environmental Effects Monitoring (EEM) for offshore petroleum activities involves scientific monitoring of the effects of petroleum activities on specific components of the surrounding environment. EEM programs are conducted throughout each year, and the program design is reviewed and may change annually. EEM is required for all development projects, and occasionally for certain exploration activities.

An EEM review process framework was developed jointly in 2005 between the CNSOPB, Canadian Environmental Assessment Agency, Department of Fisheries and Oceans and Environment Canada. The purpose of this framework is to strengthen cooperation and coordination between government, regulators and industry when designing, implementing and reviewing EEM programs with respect to the oil and gas sector offshore Nova Scotia.

SABLE OFFSHORE ENERGY PROJECT (SOEP)

ExxonMobil conducts annual EEM programs for the SOEP which monitors the project's effects on specific components of the surrounding environment.

The 2010 EEM program focused on site related effects on benthic and fish habitat, shellfish, seabirds, air quality, and fish health, as well as the effects of produced water on the environment. The results of the EEM program are submitted to the Board for review in the first quarter of each year.

DEEP PANUKE OFFSHORE GAS DEVELOPMENT PROJECT

The Board reviewed and approved the 2010 Deep Panuke Flow Line Installation EPP and Environmental Effects Monitoring Plan (EEMP). This study contributes to satisfying follow-up requirements established during the Comprehensive Study EA and is available on the Board's website.

Encana submitted the Offshore Production EEMP in early 2011. This plan will guide their production phase monitoring activities for the life of the project. Board staff is currently reviewing the document internally and leading the EEM review process framework with the CEAA, the DFO and EC.

4.4 COMPLIANCE MONITORING AND ENFORCEMENT

4.4.1 General Overview

The Board has in place an effective monitoring program to evaluate operator compliance with environmental regulatory requirements while conducting authorized petroleum related activities. Operators are required to submit reports detailing the status of their work programs on an ongoing basis, along with other documentation to demonstrate compliance with regulatory requirements. Operational status reports are provided on a daily basis for drilling and production activities, and on a weekly basis for other activities. Reports filed with the CNSOPB are reviewed by staff to identify environmental compliance issues, and such issues are addressed accordingly.

CNSOPB staff also regularly conduct environmental compliance audits and inspections at offshore work sites and operator offices.

The CNSOPB has an established compliance and enforcement policy to address situations of regulatory noncompliance. Enforcement actions may include:

- seeking voluntary compliance;
- issuance of orders, directives or notices;
- suspension or revocation of approvals and authorizations; and
- prosecution in the court system.

4.4.2 Monitoring Activities/Highlights

Environmental monitoring conducted by ExxonMobil of the SOEP consists of two components: compliance monitoring and EEM. Compliance monitoring, such as monitoring of discharge levels, is in place to ensure compliance with the regulations, guidelines, conditions of authorization and all applicable laws. Compliance monitoring results are submitted to the CNSOPB regularly for review.

The production start date for Deep Panuke is targeted for late 2011. There are several activities that CNSOPB staff will be monitoring and providing regulatory oversight for, including the transportation, installation, commissioning and start-up of the Production Field Centre. Monitoring of production operations to ensure ongoing regulatory compliance will continue once start-up has been completed.

4.4.3 Audits/Inspections

During the fiscal year the CNSOPB and EC commenced a joint inspection of the SOEP offshore installations to verify that ExxonMobil is in compliance with the Federal Halocarbon Regulations. The onshore review of required documentation has been completed, and the offshore component of the inspection will be completed in the second quarter of 2011.

4.5 ENVIRONMENTAL PERFORMANCE

SPILLS AND RELEASES

Regulations provide that all spills and releases are to be reported to the CNSOPB. The potential environmental impacts of each spill and accidental release are reviewed and/or investigated by the CNSOPB. The CNSOPB also monitors spill occurrences to determine if any trends are occurring. Environmental concerns include the potential impact of petroleum products on seabirds as well as the impact of spills on the marine habitat.

There were eight spills to the ocean and five gas releases reported during the 2010-11 fiscal year. The gas releases were five halocarbon refrigerant releases varying from 3.2kg to 20.4kg.

The table below categorizes the spills to the sea.

FIGURE 5

2010-11 SPILLS AND RELEASES*				
Material	**Less than 1L**	**1-10L**	**11-150L**	**Greater than 150L**
Light Oil	1			
Hydraulic Oil	1			
Diesel	3	1		
Chemicals (non-hazardous)		1		1
Total	**5**	**2**	**0**	**1**

*Does not include exceedences to authorized discharge limits or gas releases

4.6 KEY INITIATIVES

4.6.1 Fisheries Advisory Committee

The CNSOPB's Fisheries Advisory Committee (FAC) includes representatives from various fishing groups in Nova Scotia, Department of Fisheries and Oceans, the Nova Scotia Department of Agriculture and Fisheries, Natural Resources Canada, and the Nova Scotia Department of Energy. FAC members provide advice and suggestions to the CNSOPB for consideration in Calls for Bid processes, environmental assessments, work and activity authorization applications, and the development of CNSOPB guidelines. Members are provided with information about petroleum activities on a regular basis. Formal FAC meetings are held periodically to inform and engage members in a discussion of upcoming projects and other petroleum related activities. Committee members are provided with notice of all environmental assessments and are invited to submit comments to the CNSOPB for consideration during the review processes.

FAC meetings held in 2010-11 were also an important forum to receive concerns and share information related to the Deepwater Horizon incident that happened in the Gulf of Mexico. Members were able to question CNSOPB technical staff on the incident and were also informed of actions being taken by the CNSOPB and other international regulators to address lessons learned from the incident.

4.6.2 International Offshore Petroleum Environmental Regulators' Group

The CNSOPB continues to participate in the International Offshore Petroleum Environmental Regulators' Group (IOPER), established in 2008. Participating countries include Canada, Australia, the United States, the United Kingdom, and Norway. It was formed to provide a network of offshore petroleum environmental regulators for mutual support and advice, and to promote best environmental performance globally. Information exchanged among regulators through IOPER may include: offshore environmental trends; petroleum industry environmental performance; lessons from environmental incidents; industry best environmental practice; environmental regulatory initiatives; and measuring the effectiveness of regulatory activities.

4.6.3 Environmental Studies Research Fund

The CNSOPB is a member of the Environmental Studies Research Fund (ESRF) management board, which includes representatives from government, regulators, industry, and the public. Funding for the ESRF is provided by industry through levies on exploration and production properties on frontier lands. The purpose of the ESRF is to finance environmental and social studies pertaining to the manner in which, and to the terms and conditions under which, petroleum, exploration, development, and production activities on frontier and

offshore lands should be conducted. It is designed to assist in the decision making process related to oil and gas exploration and development on Canada's frontier and offshore lands. The 12 member management board sets priorities for research studies, determines program budgets and facilitates the development of study proposals. The 2011 research priority areas included: seismic; seabirds; air emissions; and waste management. In 2012 the priority areas of research will be: oil spill preparedness; fate and effects; and seismic. Approximately 180 research studies have been published to date.

4.6.4 Participation in DFO-led initiatives: Eastern Scotian Shelf Integrated Management and Marine Protected Area Planning Processes

The CNSOPB continues to participate in the Eastern Scotian Shelf Integrated Management (ESSIM) initiative. ESSIM is led by Department of Fisheries and Oceans (DFO) and takes a collaborative, integrated planning and management approach to addressing broad scale ocean use and interests of the Eastern Scotian Shelf. In 2010-11, the CNSOPB continued to collaborate with DFO on the following ESSIM initiatives: the Stakeholder Advisory Council; the Federal-Provincial ESSIM Working Group; and the Regional Committee on Ocean Management.

The CNSOPB also continues to participate in Gully Advisory Committee meetings.

A number of meetings have been held with respect to the current DFO-led Marine Protected Area (MPA) initiative underway off the east coast of Canada. The CNSOPB has provided advice and comments on the proposed areas prior to the final selection of an area for a proposed MPA and continues to provide input into DFO's planning process. Presently, the process is awaiting a response to recommendations that were sent to the Minister of Fisheries and Oceans by DFO Maritimes Region in the fall of 2010.

CNSOPB staff have also contributed to DFO's National Marine Protected Area Network Initiative. DFO Ottawa has developed a draft "National Framework for Canada's Network of Marine Protected Areas" and CNSOPB staff have provided comments to DFO and the federal and provincial energy departments on the framework and associated documents.

4.6.5 Sable Island – National Park Designation

On May 18, 2010, the recommendation was made to the Minister of Environment to proceed with designating Sable Island as a National Park. CNSOPB staff participates in the Sable Island Federal Working Group, as well as the Sable Island Stake Holders Advisory Committee.

FRONT TO BACK, (L-R)
CHRISTINE BONNELL-EISNOR, STEVE BIGELOW, COLLEEN MÉNARD, KRIS KENDELL, DAVID BROWN, MARK DEPTUCK, CARL MAKRIDES & BRIAN ALTHEIM
MISSING: BRENT SMITH.

5.0 Resources and Rights

The Resources and Rights Group is involved with the management and conservation of petroleum resources, resource evaluation and petroleum rights issuance aspects of the CNSOPB's mandate.

5.1 RESOURCE MANAGEMENT AND CONSERVATION

Under the Accord Acts, the management and conservation of offshore petroleum resources is a primary responsibility of the CNSOPB. Resource conservation means that petroleum must be produced in accordance with good oil field practice, having proper regard for the efficient recovery of the resource and the prevention of waste.

The CNSOPB's resource conservation approach is designed to ensure that operators are committed to resource conservation, to audit work or activity authorization applications from a resource conservation perspective and to perform necessary studies and surveillance in order to develop and support an independent understanding of the resource.

Pursuant to section 16 of *Nova Scotia Drilling and Production Regulations*, operators are required to submit a Resource Management Plan (RMP) to document their conservation policy and procedures. Based on the latest geological, geophysical, petrophysical and reservoir information available at the time of the development plan application for the authorization to produce hydrocarbons, the RMP should fully describe how the field or pool is intended to be produced over its life. Furthermore, it should provide a detailed evaluation plan to address the main uncertainties, including sensitivities and alternative scenarios. The RMP is valid for the life of a pool or field and should be modified as new information is acquired. Annual updates are required with the annual production report.

5.1.1 Compliance Monitoring and Enforcement

The CNSOPB monitors exploration and development activity to ensure optimum conservation of the resource and compliance with the regulations. This is accomplished through monitoring reservoir production and performance, regular communication with the operator, and reviewing work or activity authorization applications from a resource conservation perspective. When appropriate, technical studies are undertaken to independently validate proposals and activities.

Each application for authorization to conduct a geophysical and geotechnical program is reviewed by Resources and Rights staff to determine that there is no unnecessary duplication of data acquisition and that the program is in compliance with geophysical regulations and CNSOPB guidelines. After the program has commenced, progress is monitored weekly through reports and updates from the operator to confirm progress is consistent with the approved program. Upon completion, the program's data and final reports are reviewed, analyzed and archived by staff.

Each application for approval to drill a well includes, among other requirements, a drilling plan that is reviewed by Board staff. Board staff conducts technical evaluations of all geological, geophysical, petrophysical and reservoir engineering aspects of the program. The evaluation also ensures consistency of the drilling plan with regulations. After the well is spudded (i.e. initially commenced), its progress is continually monitored through daily reports and updates from the operator to ensure drilling is consistent with the approved program. All modifications are reviewed and approved if necessary. After the well is completed, the well results, data (i.e. well logs, cores, cuttings, fluids, well tests, etc.) and final reports are reviewed, analyzed and archived by staff.

Approved development projects are monitored to confirm that the operator is maximizing recovery from a field in accordance with good oilfield practices, the Resource Management Plan is current and put into effect, flow and volume measurements are conducted in accordance with an approved flow system, and flow calculation procedure and flow allocation procedure and all other conditions associated with an approved development plan application are followed.

5.1.2 Specific Highlights from the Year

In addition to daily production and measurement monitoring of the SOEP, the operator's annual Reservoir Management Plan update and annual Production Report were reviewed.

In preparation for the start-up of Encana's Deep Panuke Project, metering and measurement submissions were reviewed. The well approval applications for re-entry of the four existing wells (Marcon D-41, Margaree F-70, Panuke H-08, and Panuke M-79A) and the new acid gas injection well Margaree E-70 were assessed from a resource conservation standpoint and their progress was monitored for compliance. The required annual update to Deep Panuke's Reservoir Management Plan was submitted.

5.2 OFFSHORE PRODUCTION

5.2.1 Sable

Natural gas production from the SOEP began in December 1999. Tier I fields Thebaud, Venture and North Triumph provided the initial production followed by Tier II fields Alma and South Venture. Total yearly production by field is shown in Figure 6.

The average daily gas rate each fiscal year is shown graphically by field in Figure 7 and the values of average yearly rates are listed in Figure 8. By the end of this fiscal year, total production was 48.2 E9m3 (billion cubic metres) or 1,701 Bcf (billion cubic feet). Each field's contribution to this total production is shown in Figure 9.

5.3 RESOURCE ASSESSMENTS

Board staff continued its responsibility to assess the hydrocarbon potential of the offshore sedimentary basins. These assessments are required to determine the volume of oil and gas discovered to date (reserves), as well as estimate the undiscovered potential volumes (resources). Data is incorporated into decisions pertaining to the issuance of petroleum rights by the Board. Industry uses this data for evaluation of a basin's exploration potential and prospectivity. Governments use the data to evaluate potential supplies, possible resource revenue and to inform policy makers.

FIGURE 6: TOTAL GAS PRODUCTION PER FIELD BY FISCAL YEAR

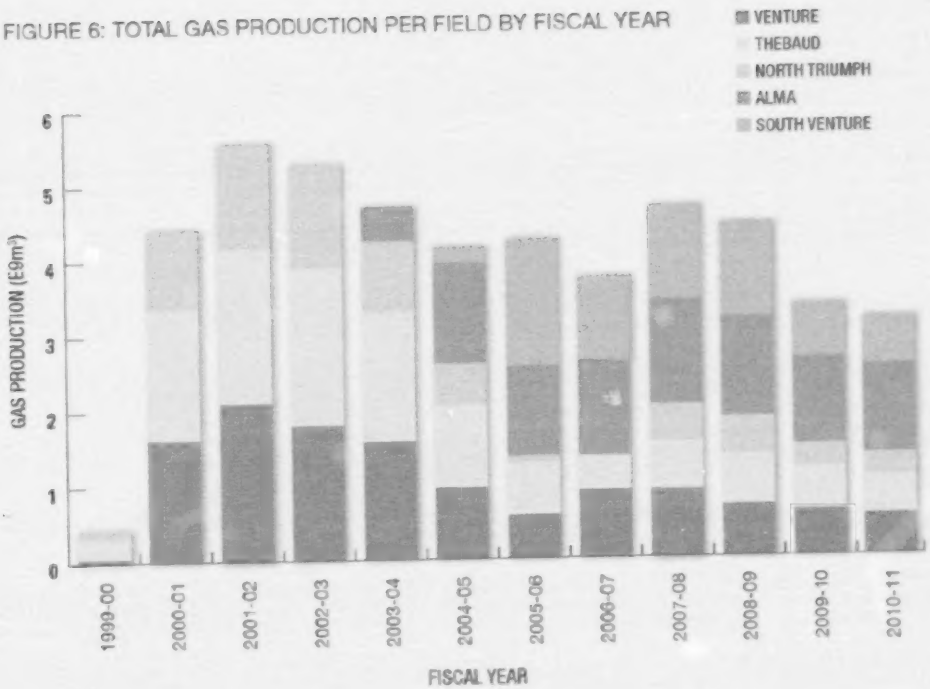


FIGURE 7: AVERAGE DAILY GAS RATE PER FIELD BY FISCAL YEAR

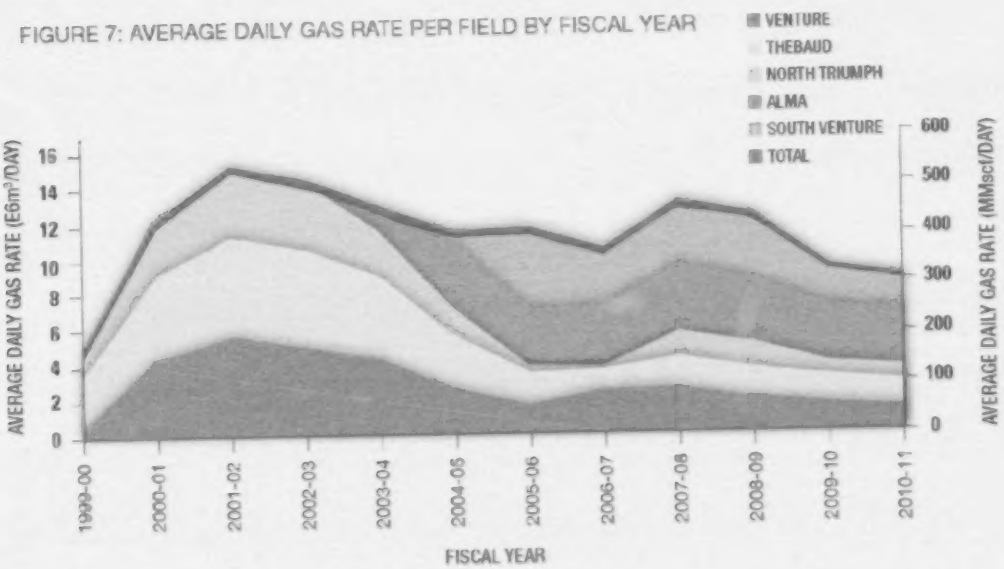


FIGURE 8

TOTAL AVERAGE DAILY GAS RATE EACH FISCAL YEAR		
	Average Gas Rate	
Fiscal Year	(E6m3/d)	(MMcf/d)
1999-00	4.7	167
2000-01	12.0	425
2001-02	15.2	536
2002-03	14.4	509
2003-04	12.8	452
2004-05	11.3	400
2005-06	11.5	406
2006-07	10.3	362
2007-08	12.9	456
2008-09	12.2	431
2009-10	9.3	329
2010-11	8.7	308

FIGURE 9: FIELD CONTRIBUTIONS TO TOTAL PRODUCTION UP TO MARCH 31, 2011

5.4 RIGHTS MANAGEMENT

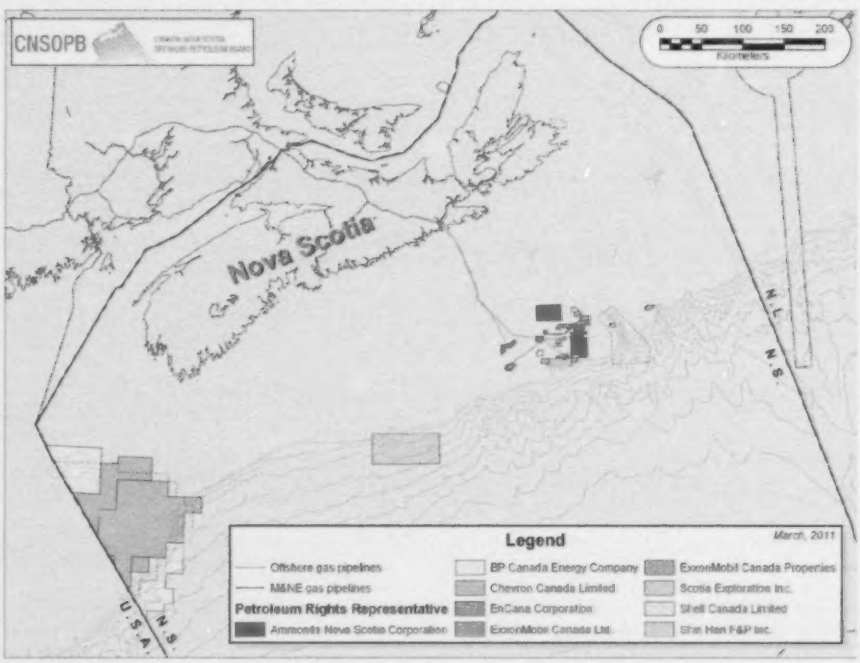
5.4.1 General Overview

The rights issuance, or licencing policy, is governed by Part II of the Accord Acts, which is based on the Canadian Petroleum Resources Act model. Administration of the licencing process is reviewed annually by the federal and provincial governments to ensure that the process supports, and is consistent with, the Board's Strategic Plan.

5.4.2 Public Registry of Instruments & Interests

The Board maintains a public registry of offshore interests and instruments, as required in the Accord Acts. This is the official record of rights holders and any transfer of rights or change of ownership must be registered. The public may access the Registry in person at the Board's Halifax office or online on the Board's website.

FIGURE 10: ACTIVE LICENCES OFFSHORE NOVA SCOTIA AS OF MARCH 31, 2011



5.4.3 Interests

Figure 10 shows the active licences offshore Nova Scotia as of March 31, 2011.

5.4.3.1 CALL FOR BIDS

At any time during the year, industry may nominate offshore land parcels for potential exploration. Nominated parcels are reviewed as of March 31 and September 30 to determine whether any will be included in a future Call for Bids. The Board itself can also post lands for inclusion in a Call for Bids.

There are presently three areas where nominations will not be accepted: the Georges Bank Prohibition Zone, the Sable Gully Marine Protected Area and the Donkin Block Prohibited Area.

Call for Bids NS09-1 closed in fiscal year 2010-11.

CALL FOR BIDS NS09-1

Call for Bids NS09-1 was announced on December 4, 2009 and closed on June 24, 2010. No bids were received. This Call consisted of two industry-nominated shallow water parcels located on the Scotian Shelf. Board staff prepared an in-depth regional and subregional geological and geophysical analysis of each parcel. This information was made available through the Board's website, and on CD Rom.

5.4.3.2 EXPLORATION LICENCES

At the end of this fiscal year, there were four active exploration licences offshore Nova Scotia with total original work expenditure bids of approximately $353,671,174.

The term of an Exploration Licence (EL) is nine years, consisting of two consecutive periods referred to as Period 1 and Period 2. In order for an EL to enter Period 2 a validation well must be drilled or commenced ('spudded') in Period 1.

Traditional Exploration Licence terms require the interest owner of an EL to post security, termed a Work Deposit, for 25% of the work expenditure bid on the licence at the beginning of the term. This Work Deposit is refundable through approved allowable expenditures as the interest holder spends money on exploration of the licence. Allowable expenditures are described in each exploration licence. The minimum work expenditure bid that would be considered is $1,000,000.

All current ELs feature alternative terms and conditions that were originally announced in 2007. They provide flexibility to explorers by lowering the cost of entry, deferring large upfront deposits, and encouraging early exploration.

For all ELs issued with the alternative terms and conditions, the minimum Work Expenditure Bid was lowered to $500,000 and the required Work Deposit is payable before the end of the third anniversary of the licence. An additional deposit known as the Licence Deposit was required upfront, in the amount of $50,000. To encourage early exploration, approved allowable expenditures in the first three years are credited at a rate of 150%. As well, current EL holders were required to submit an acceptable work plan within 90 days of the issuance of the EL that must be updated annually. Failure to submit an acceptable work plan may result in the revocation of the EL.

In this fiscal year, a Work Deposit Deferral Policy was developed by the CNSOPB to respond to requests for a deferral in posting the Work Deposit. The policy is posted on the Board's web site.

In accordance with the terms and conditions of ELs, rentals are to be paid annually, in advance, at a specific rate for each year of Period 2. The rentals may be refunded upon application of approved allowable expenditures incurred during Period 2. Failure to pay rentals will result in cancellation of the EL.

EL 2407 and EL 2409 expired during the fiscal year. Approved allowable expenditures for EL 2407 exceeded the Work Expenditure Bid and Extension Fees and as such, there was no corresponding forfeiture. EL 2409 was in Period 2, and rentals totalling $333,295 were forfeited.

EL 2421 and EL 2422 were surrendered during the fiscal year. Two Licence Deposits totalling $100,000 were forfeited.

These forfeiture amounts have been remitted to government.

Active ELs at the end of the fiscal year are shown in Figure 11 and encompass a total area of 440,577 hectares.

5.4.3.3 SIGNIFICANT DISCOVERY LICENCES

A Significant Discovery Licence (SDL) is an intermediate interest designed to maintain an explorer's rights during the period between the first discovery and eventual production. The term of such a licence continues so long as the underlying Significant Discovery Area remains valid.

There are presently 33 SDLs offshore Nova Scotia, covering an area of 76,680 hectares. The Board has initiated a technical assessment to update the estimate of recoverable reserves associated with the majority of these SDLs. The breakdown of interest representatives for these SDLs is noted in Figure 12.

FIGURE 11

ACTIVE EXPLORATION LICENCES

EL No.	Effective Date	Representative	Work Expenditure
2417	15-Sep-2008	Ammonite Nova Scotia Corporation	$103,100,000
2418	15-Sep-2008	Ammonite Nova Scotia Corporation	$113,700,000
2419	01-Jan-2009	Scotia Exploration Inc.	$7,871,174
2420	01-Jan-2009	Shin Han E&P Inc.	$129,000,000
			$353,671,174

FIGURE 12

ACTIVE SIGNIFICANT DISCOVERY LICENCES	
Interest representative	**Number of SDLs**
ExxonMobil Canada Properties	22
ExxonMobil Canada Ltd	3
Shell Canada Limited	6
Encana Corporation	1
BP Canada Energy Company	1

5.4.3.4 PRODUCTION LICENCES

A Production Licence (PL) is issued for any portion of the offshore area showing a commercial discovery. Such licences have a term of 25 years, but may be extended if commercial production is continuing or is likely to recommence. There are eleven PLs offshore Nova Scotia with a total area of 39,441 hectares.

PL 2901 and 2902, were issued for the Cohasset-Panuke offshore oil project. Production from Cohasset-Panuke ended in 1999.

PL 2903, 2904, 2905, 2906, 2907, and 2908 are registered to ExxonMobil Canada Ltd as the interest representative for the Sable Offshore Energy Project.

Three new PLs were issued this fiscal year. PL 2909, 2910, and 2911 were issued to Encana Corporation for the Deep Panuke Project. An extension order was issued for PL 2901 and 2902 for the Deep Panuke Project. This extension order gives PL 2901 and 2902 the same expiry date as the three new PLs, therefore all five PLs that cover the Deep Panuke Commercial Discovery have a common expiry.

5.4.4 Second International Upstream Forum

The CNSOPB participated in the second International Upstream Forum hosted by the Norwegian Petroleum Directorate in Stavanger. The inaugural International Upstream Forum was held in Athens, Greece in 2007. This forum brings together representatives from a number of international regulators and government departments who have responsibilities respecting offshore oil and gas resource management to discuss matters of common interest. Learnings from forums like this assist the Board in formulating regulatory policy. The 2010 forum focused on:

- Rights Issuance and Licensing Systems;
- Geoscience/Data Management Policies and Procedures;
- Access to Infrastructure and Decommissioning Practices; and
- Policy and Regulatory Development in Deepwater Exploration.

In September 2011, Canada will host the next forum in St. John's, Newfoundland. Efforts are being made to institutionalize this as an annual event.

5.5 OTHER GEOSCIENCE INITIATIVES

The Board maintained its strong support for both internal and external geoscience research focusing on better understanding the petroleum geology of the Scotian Basin and other areas under its jurisdiction. Resources and Rights Group's geoscientists conduct ongoing technical studies and evaluations of the offshore basins, stratigraphic intervals and reservoirs. These initiatives provide the knowledge framework for resource and reserves assessments, potential exploration and production drilling and identifying areas that could be considered for future Board-directed Calls for Bids, as well those that may be nominated by industry.

Board geoscientists are key contributors to the development of the Province of Nova Scotia's important Play Fairway Analysis, with emphasis on salt tectonism, deep water sedimentation, reservoir quality and distribution and basin tectonic evolution. The aim of the Province's study is to create a detailed basin evolution model, quantify offshore petroleum systems and key petroleum source rock intervals, update the Scotian Basin's sequence stratigraphic framework, improve knowledge of existing oil and gas plays and producing fields, and ultimately delineate areas and formations with high potential for oil and gas accumulations. Board staff participated in a peer review of this study.

An important responsibility of Board technical staff is responding to numerous requests and inquiries from external organizations. Over the past year, assistance on planning research programs and technical studies, data searches and related support was provided to local and international geoscience consultancy firms, universities and research organizations. Several staff members support geoscience education at local universities through course lectures and labs, and provide mentorship and guidance to graduate students. As officers and members of local and international geoscience societies, staff assist with organizational growth, membership, professional and technical development, organizing of conferences, peer review of technical papers, and public outreach programs.

The Board highly values the opportunities that technical meetings offer as a means to disseminate knowledge generated by its staff and fellow provincial and federal geoscientists through interaction with international industry and academic colleagues and organizations. The Board was a major co-supporter of the inaugural

Central Atlantic Conjugate Margins Conference held in Halifax in August 2008. The second conference was held in Lisbon, Portugal in September 2010 and was a great success. Staff members assisted in its organization, presented a number of papers and posters on the Scotian Basin, and contributed papers to the conference publication. This conference series is well regarded and supported by industry, governments and academia. The Board looks forward to participating at the third conference to be held in Dublin, Ireland in August 2012.

Board geoscientists attended a number of other technical conferences in Canada, United States and United Kingdom where they gave oral and poster presentations on the results of their ongoing research studies. Several Board staff had the results of their research published in international peer-reviewed scientific journals and future contributions are planned.

6.0 Information Services

The Information Services Department was created in February 2010 to elevate the focus within the organization of managing the Board's vast electronic and paper information, its geo-scientific subsurface materials, and its computer systems and communication tools.

6.1 GEOSCIENCE DATA MANAGEMENT

The collection and curation of offshore petroleum data is essential to the Board's mandate. The Geoscience Research Centre (GRC) fulfils this responsibility by providing geological and geophysical information services to the public globally.

6.1.1 Geoscience Research Centre (GRC)

The Board's GRC and DMC are located in Dartmouth, Nova Scotia. Access to the GRC and support from its technical staff is available to the public, free of charge, from Monday to Friday, 8:00 a.m. to 4:00 p.m.

The GRC facility archives all final well history, geological and wellsite survey reports. It is also used to archive and make available for study, all subsurface samples, including cores, cuttings, fluids and related materials from petroleum exploration and development wells drilled in the Nova Scotia offshore area.

Data remains confidential for a period of time as specified in the Accord Acts. Once the confidential period has expired, information may be disclosed to the public.

Users of the GRC include industry (local, national, and international), government and academic organizations and drilling/service organizations.

6.1.2 Data Management Centre (DMC)

The Board's DMC is the first data management centre in North America to offer, free of charge, digital offshore petroleum data via its web site. The DMC provides global access to quality data, significantly improving efficiency in obtaining and analyzing petroleum data, managing entitlements and reducing the cost of regulatory compliance for industry. Additional benefits of the DMC include: prevention of data loss, reduction in data storage costs; and facilitating scientific research by the regulatory Boards; industry; governments; and universities.

The DMC provides for the loading, management, and distribution of petroleum data. The DMC is currently managing and distributing the following petroleum data: well data (i.e. logs, reports and LAS files); seismic image files (i.e. PDF); Geographic Information System data (i.e. licences, wells, bathymetry, etc.) and production data.

As of March 2011, complete data sets for 207 wells offshore Nova Scotia and 24 data sets from wells in other jurisdictions are available via the Board's DMC web site.

Complete data sets for 304 seismic programs have also been loaded into the DMC. This initiative is ongoing. Along with PDF images available in the DMC, two seismic programs (8620-N011-001E and

FRONT TO BACK, (L-R)
MARY NOEL, NANCY WHITE, JOHN MARTIN, ANITA NICOLL, TROY MACDONALD & MARY JEAN VERRALL.
MISSING: JASON BUTTS, ROBERT HUNTER, DEBRA WHEELER & NANCY HYNES.

NS24-N001-001E) with full SEGY (standard file format for seismic data), SEGD (standard file format for seismic field data), and gathers are available on the DMC File Transfer (FTP) site.

The DMC has 283 registered users of which 37% are Industry (local, national, and international), 45% from Government/ Academic organizations, and 18% from a Drilling/Service organization. Many clients use the DMC website to perform research prior to visiting the facility.

6.2 CORPORATE RECORDS

With the need to manage the explosive growth of electronic information, the Board is implementing an Electronic Document Records Management System (EDRMS). This new solution will provide standardization in the way that the Board's information is maintained and improve work function efficiency. A pilot project is scheduled for implementation in 2011.

6.3 BUSINESS CONTINUITY

In order to effectively manage internal and external business interruptions, the Board introduced an updated business continuity plan in 2010. The following services were identified as critical business functions which must be maintained during a business interruption event: Information Technology; Safety and Conservation Officer functions; and Finance capabilities.

As a result, all Board technical and communication services will be accessible at an offsite location in the event the primary facility is unavailable. This offsite facility has the capability to operate on standalone power and provide Board staff with the ability to respond to an emergency if required. New technology has also been deployed to further enhance the Board's response plan, offering additional redundancies and efficiencies.

7.0 Regulatory Modernization

The Board is committed to continuous improvement of the regulatory framework that governs offshore oil and gas activities.

Board staff continue to assist the provincial and federal governments as they finalize proposed amendments to the Accord Acts regarding offshore occupational health and safety (OHS). Assistance was provided throughout the year with public consultation and in further revising the proposed legislative amendments.

The Board also continues to support the federal, provincial and territorial governments' initiative to update and modernize the existing suite of petroleum regulations under the Accord Acts. Modernizing these regulations will support the offshore oil and gas industry's continued growth and contribution to both Nova Scotia's and Canada's economy and competitiveness while maintaining the highest standards for safety, environmental protection and management of resources.

At the same time, the Board remains active in developing and modernizing a number of guidelines and other regulatory documents that are issued to assist operators in interpreting regulatory requirements, and to provide guidance to operators as to how they may achieve regulatory compliance.

Progress during 2010-11 on many of these initiatives is described below.

7.1 GUIDELINE DOCUMENTS ASSOCIATED WITH THE DRILLING AND PRODUCTION REGULATIONS

New *Drilling and Production Regulations* were promulgated by the federal and provincial governments in December 2009. At the same time, the Board issued the following four guideline documents for the purposes of stakeholder consultation to assist in the transition from the formerly prescriptive based to the new goal oriented regulations:

- Drilling and Production Guidelines
- Safety Plan Guidelines
- Environmental Protection Plan Guidelines
- Data Acquisition and Reporting Guidelines

The close of the consultation period was December 31, 2010.

Based on feedback and experience gained during the consultation period, the *Safety Plan Guidelines* and the *Environmental Protection Plan Guidelines* have been updated and issued by the Canada-Nova Scotia Offshore Petroleum Board, the Canada-Newfoundland and Labrador Offshore Petroleum Board and the National Energy Board. These are posted on the Board's website. These two guideline documents assist operators in developing Safety Plans and Environmental Protection Plans in support of drilling and production operations in areas regulated by the Boards.

CNSOPB MANAGEMENT TEAM
FRONT TO BACK, (L-R)
MICHAEL MCPHEE, TROY MACDONALD, STUART PINKS, TANYA TAYLOR WHITE, STEVE BIGELOW & KEITH LANDRA.
MISSING: DEBBIE MOUNTENAY.

The CNSOPB and the C-NLOPB continue to make final revisions to the *Drilling and Production Guidelines* and the *Data Acquisition and Reporting Guidelines* based on feedback and experience gained during the consultation period. The updated documents will be posted on the Board's website once finalized.

7.2 REVISION OF OFFSHORE WASTE TREATMENT GUIDELINES

For an operator, the governing document with respect to management of discharges to the natural environment is the operator's Environmental Protection Plan. Reference

is made in the Board's *Environmental Protection Plan Guidelines* to the *Offshore Waste Treatment Guidelines (OWTG,)* and it is expected that operators will take these guidelines into account when developing their Environmental Protection Plans.

The purpose of the *OWTG* is to aid operators in understanding the goals, objectives and requirements of the applicable acts and regulations, and to explain the expectations of the Board regarding the management of waste material associated with drilling and production operations.

Revised *OWTG* were issued jointly by the CNSOPB, C-NLOPB, and NEB in December 2010. The revision was prepared by the three Boards with the assistance of a working group comprised of government, industry and public representatives.

The waste materials discussed in these guidelines include effluents, emissions and solid wastes normally associated with the operation of installations engaged in petroleum drilling and production activities.

The previous version of the *OWTG* (2002) was revised as a result of field experience and advances in technology. In the preparation of these revised guidelines, the drafters reviewed results of Canadian and International research into waste management approaches and technologies, environmental compliance requirements, and results of environmental effects monitoring programs were considered.

7.3 RIGHTS MANAGEMENT GUIDELINES

New *Work Plan Guidelines* were developed by the Board to assist Exploration Licence Interest Owners and their representatives in formulating and communicating details of their required Work Plan and annual updates. These Guidelines were approved by the Board in October 2010 and posted to the Board's website.

New draft *Allowable Expenditures Guidelines* were created to assist Exploration Licence Interest Owners and their representatives when applying for Allowable Expenditure credit against either the Work Deposit or Rentals. These Guidelines set out policies and procedures of the Board with respect to the approval of Allowable Expenditures. Stakeholder consultation has occurred and the Board is presently reviewing all comments received.

Revisions to the existing *Issuance of Exploration Licence Guidelines* continue. These revisions are necessary to update the Guidelines with the Board's current Rights Issuance Policy and alternative Exploration Licences terms and conditions. Government feedback was solicited and the Board is presently reviewing all comments received to date.

7.4 INDUSTRIAL BENEFITS GUIDELINES

Draft *Industrial Benefits Guidelines* were developed and presented to the Board. These guidelines were designed to consolidate current practices and processes with the historic guidelines and directives. Stakeholder consultation has taken place and the Board is currently reviewing all comments received.

8.0 Industrial Benefits

One of the Board's mandates is to ensure compliance with the provisions of the Accord Acts that deal with Canada-Nova Scotia benefit plans. During 2010-11, the Board continuously monitored the activities associated with offshore exploration and production to ensure compliance with the Accord Acts in relation to the procurement of goods and services, education and training (E&T), employment, research and development (R&D), opportunities for disadvantaged individuals and groups, and maintenance of an office within the province. In addition, the Board continuously monitored compliance with any additional commitments made within the approved benefits plans.

The Board has a duty to consult with the federal and provincial governments on the extent to which a benefits plan meets the statutory requirements laid out in the Accord Acts. To satisfy this duty, the Board chairs a Benefits Review Committee comprising of representatives from the Board, and the federal and provincial governments, which meet periodically throughout the year.

8.1 PROJECT UPDATES

8.1.1 Sable Offshore Energy Project

EXPENDITURES AND EMPLOYMENT

ExxonMobil, the operator of SOEP, filed its annual benefits report with the Board for the period ending December 31, 2010, reporting total expenditures for the project to date in Canada of $3.39 billion, with $2.34 billion of the total being spent within Nova Scotia. Additionally, the report states the project has had a total of 20.69 million Nova Scotia person hours, while the rest of Canada totalled 3.37 million person hours.

RESEARCH AND DEVELOPMENT (R&D)

In 2008, the Board approved a five-year R&D Plan submitted by SOEP for the 2008-12 period. Within this approved plan, SOEP committed to spending a minimum of $3 million over the 5-year period on eligible R&D initiatives, with no less than $300,000 being spent in any individual year. A sampling of the approved R&D initiatives undertaken during 2010 is included within the SOEP Benefits Report, which can be found on the Board website.

8.1.2 Deep Panuke Offshore Gas Development Project

EXPENDITURES AND EMPLOYMENT

Encana, the operator of Deep Panuke, is required to file semi-annual reports with the Board while in the development phase of the project. In its report filed with the Board for the period ending December 31, 2010, Encana stated project expenditures for the year in the amount of $305 million, with a total of 1.17 million Nova Scotia person hours and 178,965 other Canadian person hours. The total person hours to date worked by Nova Scotian and other Canadians is 2.11 million and 329,249, respectively.

EDUCATION AND TRAINING (E&T) AND RESEARCH AND DEVELOPMENT (R&D)

Encana has committed to spending a minimum of 0.5% of the gross revenues of the Deep Panuke project over the life of the project on eligible E&T and R&D initiatives. During the development phase, when production has not yet begun, the funds available in each year for E&T/R&D are based on 0.5% of allowable capital costs in the previous calendar year. A sampling of the approved E&T/R&D initiatives undertaken during 2010 is included within the Deep Panuke Benefits Report, which can be found on the Board website.

9.0 Administration

Pursuant to the *Accord Acts*, the Board appointed new Officers in 2010-11. These individuals are members of the CNSOPB Operations/Health, Safety and Environment group and Resources and Rights Group:

- Keith Landra
  – Appointed *Alternate Chief Safety Officer & Safety Officer*
- Eric Theriault
  – Appointed *Conservation Officer*
- Elizabeth MacDonald
  – Appointed *Conservation Officer*
- Carl Makrides
  – Appointed *Conservation Officer*

Employee Achievements and Milestones

- New staff members: Tara Jennings
- Best wishes to Jane Dryden Roach who retired from the Board this year.
- Congratulations to Kim Nauss on receiving her Master of Public Administration and the Lieutenant Governor's Award for Excellence in Public Administration.
- Congratulations to Shelley Phinney on completing her Certificate in Employee Supervision.
- Mark Deptuck, a geologist at the Board, co-edited a Society for Sedimentary Geology special publication entitled "Application of Seismic Geomorphology Principles to Continental Slope and Base-of-slope Systems: Case Studies from Seafloor and Near-Seafloor Analogues". The book is in press and will be available in the early spring. Mark also co-authored 4 of the 18 peer-reviewed papers in the book.

9.1 JOINT OCCUPATIONAL HEALTH AND SAFETY COMMITTEE (JOHSC)

The JOHSC assisted the Board with its goal to provide a safe and healthy workplace. JOHSC activities in 2009-10 included: wellness and health initiatives, worksite safety inspections and first-aid/ CPR training.

Occupational health and safety training remains a fundamental initiative for the Board's JOHSC. The Board recognizes that the effective and efficient operation of a JOHSC requires training and continuous improvement. To that end, new committee members will receive the required training in order to be effective members of the committee. The Board also requires all employees to be trained in Workplace Hazardous Materials Information System (WHMIS) and the Board's Internal Workplace Occupational Health and Safety Program as well as ensuring there are at least two employees per floor who are trained in First Aid/CPR.

9.2 ROYALTIES

The Province of Nova Scotia has an offshore petroleum royalty regime that is based upon revenues and profits. The provincial regime provides arrangements for the currently producing Sable Offshore Energy Project and the Deep Panuke Project which is currently under development, as well as a generic formula for future projects. In the fiscal year 2010-11, the Board received confirmation from the Sable Offshore Energy Project Operator and Partners that $189,486,203.71 was submitted to the Receiver General for Canada in respect of production for Licences 2903 (Venture), 2904 and 2905 (Thebaud), 2906 (North Triumph), 2907 (Alma) and 2908 (South Venture).

FRONT TO BACK, (L-R)
TARA JENNINGS, PATRICIA WHITTLE, SHELLEY PHINNEY, KAREN SIMPSON, CHARITY HARRINGTON, TANYA TAYLOR WHITE, THERESA MACLEOD & KIM NAUSS.
MISSING: DEBBIE MOUNTENAY.

10.0 Board Members

The Board consists of up to five members and two alternate members who are appointed for fixed terms of office. The Chair is jointly appointed by both the Government of Canada and the Government of Nova Scotia. Each government appoints two Board members, and each government may also appoint one alternate member.

This year, the Board welcomed new members The Honourable Rodney MacDonald and Brian Lewis.

FRONT TO BACK, (L-R)
DIANA LEE DALTON, KEITH EVANS, BRIAN LEWIS, TIM BROWNLOW, RODNEY MACDONALD & PAUL TAYLOR.
MISSING: DOUG GREGORY.

DIANA LEE DALTON,
CHAIR

Diana Dalton, a native of Yarmouth, Nova Scotia, and lawyer by training, has extensive experience in dealing with International legal and regulatory issues. She has worked for the United Nations, the World Bank, the OECD and USAID on projects in over 30 nations around the world. An experienced regulator, Ms. Dalton has drafted laws, regulations and administrative procedures for the mining, petroleum and energy sectors in nations such as India, China, Vietnam, Papua New Guinea and Ethiopia. From 1991 to 1995 she served as the Interregional Advisor in Natural Resources to the United Nations Department of Economic and Social Development at UN Headquarters in New York City. Ms. Dalton was also part of the negotiating team for Nova Scotia resulting in the Canada-Nova Scotia Offshore Oil and Gas Agreement of 1983-84. She is Chair of the Canada-Nova Scotia Offshore Petroleum Board and works as an independent consultant from her home in Halifax.

KEITH R. EVANS, Q.C.,
BOARD MEMBER (PROVINCIAL)

Keith Evans is a practicing member of the Nova Scotia Barristers' Society and the Law Society of Alberta. He resides in Edmonton, Alberta, where he is Vice President, Legal & Corporate Secretary for Lilydale Inc., (a Sofina Foods Inc. subsidiary), one of Canada's leading chicken and turkey processors. Until the end of 2006, he served as the General Counsel for Scomi Group Berhad, a Malaysian public company, and the KMC Oiltools Bermuda Limited group of companies, which are owned by Scomi. That group was involved in drilling fluid and waste management activities in the oil and gas sector worldwide. With this experience, Keith has been involved in many aspects of the oil and gas industry for over 20 years. He holds an LL.B. Degree from Dalhousie University and an LL.M from the University of Sydney, Australia. He originally started his legal practice in Halifax with what was then Cox, Downie, Nunn & Goodfellow, and also worked with Baker & McKenzie, the world's leading global law firm, in their Singapore Office. He has served on the full-time faculty at the Law Schools at the National University of Singapore and Dalhousie University. From 2002-06, he also served as President of the Nova Scotia Law Reform Commission. In his spare time, Keith serves as Community Services Director for the Rotary Club of Edmonton Northeast.

TIM BROWNLOW,
BOARD MEMBER (PROVINCIAL)

Tim Brownlow is a government relations and business development executive with over thirty years of experience in the offshore oil and gas sector. He is currently Director of Government Affairs and Business Development with Irving Shipbuilding Inc., and recently worked with Kiewit Energy Canada Corporation as Business Development Manager in Calgary, Alberta. He began his offshore career in the oil and natural gas industry in 1978 working for the following companies: ODECO Drilling, Magcobar, and Rowan Companies Inc., both domestically and internationally. He then joined the Nova Scotia Government in 1990, holding positions as Petroleum Operations Officer, Director of Benefits & Training and Chief Advisor for the Department of Natural Resources and the Offshore Energy Office. During Tim's offshore and government days he was fortunate to have been directly involved from the discovery phase through to the production phase for both the Sable Offshore Energy Project and the Cohasset-Panuke project. He has served on numerous boards and committees, including: the Premier's Energy Advisory Council, Chairman of the Offshore/Onshore Technologies Association of Nova Scotia, the Atlantic Energy Roundtable, seconded to the Grampian Regional Council (Aberdeen, Scotland), Associate Member for the World Energy Cities Council, and former Co-Chair for the Federal/Provincial Regulatory Review Committee.

BRIAN LEWIS,
BOARD MEMBER (FEDERAL)

Brian graduated from Dalhousie University with a Bachelor of Commerce in 1982. He began his working career in Store Management with Lawton's Drugs. He started work in the Offshore in 1984 working for Rowan Companies. Initially he worked in Offshore Nova Scotia and spent a year with Rowan in the Gulf of Mexico. The final 3 years working with Rowan were on the Cohasset Panuke Project. He was Co-Chair of the Joint Occupational Health and Safety Committee during his final years in the Offshore. In 1993 he started working for CFM a division of J D Irving in Dartmouth and was involved in supplying industrial products and services to all industries including the Offshore. Products and services included hydraulic services and products, rigging gear and services including Water Weight crane testing, crane cables, industrial hose and many other related products and services. In 1998 CFM was awarded the hose supply contract for the Sable Offshore Project and maintained this Contract without incident for 8 years. Having worked in the Offshore Brian has an understanding of the types of products and services needed to ensure that reliability and safety are never compromised. In 2008 he worked on contract as a Production Supervisor for Halifax Shipyards. He spent 20 months working at the Woodside Yard in Dartmouth on the Offshore Support Vessel Chemul refit. He is now working for The Guildfords Group of Companies as their Manager in Central Nova Scotia. Brian resides in Stellarton with his wife Christine and their 2 sons John and Tyler. He has always been active as a volunteer with minor hockey and baseball and served 5 years on the G. R. Saunders School Advisory Council. He was appointed by the Federal Government to the Canada Nova Scotia Offshore Petroleum Board in June 2010.

HONOURABLE RODNEY J. MACDONALD, E.C.N.S.,
BOARD MEMBER (FEDERAL)

Rodney was sworn in as Premier of Nova Scotia from February 2006 to June 2009. During this time he put in place two major agreements for Nova Scotia's Offshore: The Crown Share – An $870 million agreement between the Government of Canada and Nova Scotia settling a decades long dispute; and the Deep Panuke Agreement – Nova Scotia's second major project for Nova Scotia's Offshore. Rodney was first elected to Nova Scotia House of Assembly for the constituency of Inverness in July 1999, re-elected in 2003, 2006, and 2009. Portfolios held include: President of Executive Council; Minister of Intergovernmental Affairs; Minister of Tourism, Culture, and Heritage; Minister of Health Promotion; Minister of Immigration and Minister responsible for Nova Scotia Liquor Corporation, Youth Secretariat, Heritage Property Act. Rodney received his Bachelor of Science in Physical Education from Saint Francis Xavier University in 1994. He was employed by the Strait Regional School Board 1994-1999. In his spare time Rodney is a musician (Violinist/ Dancer) and is a two time East Coast Music Award Nominee. Presently Rodney is President and Owner of RMD Development Incorporated – a Consulting and Business Development Company.

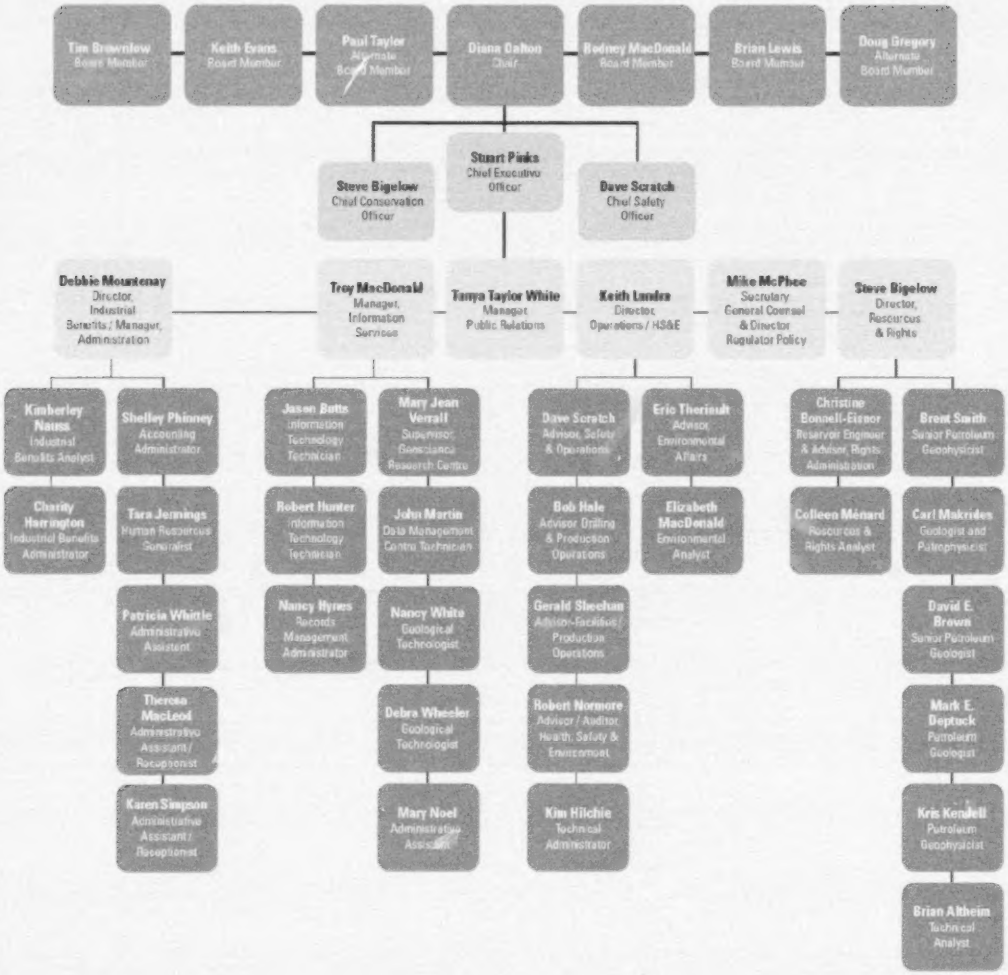
DOUGLAS (DOUG) GREGORY,
ALTERNATE BOARD MEMBER (FEDERAL)

Doug Gregory's career with Shell Canada and Royal Dutch Shell spanned three decades. He began as an exploration geophysicist in Canada and would later work with Petroleum Development Oman, a joint venture company working in Muscat, Sultanate of Oman. After returning to Calgary and focusing on exploration in Western Canada, he went on to hold various management positions including: Exploration Research Manager at Shell Canada's Calgary Research Centre, Manager Geophysical Operations, and Manager, Safety and Environment providing technical support to Shell Canada's Upstream Operations. In 1999, Doug moved to Halifax to open Shell Canada's exploration office, focusing on deepwater seismic exploration over Nova Scotian slope (deep water) acreage. He retired as East Coast Manager in 2003. He has been active in various organizations including: Co-chair, Petroleum Fisheries Liaison Group Canadian Association of Petroleum Producers (CAPP) (2001-2003); Chair, Atlantic Canada Committee – CAPP (2001-2003); Director, Greater Halifax Partnership representing the Energy sector (2002-2004); and, President, Rotary Club of Halifax Northwest (2007-2008). He holds a M.Sc. in Microwave Physics (1970) from the University of Waterloo, Ontario and a B.Sc. Math & Physics (1969) from Sir George Williams University, Montreal. Doug resides in Halifax, Nova Scotia.

PAUL F. TAYLOR,
ALTERNATE BOARD MEMBER (PROVINCIAL)

Paul Taylor recently retired from the Government of Nova Scotia after a 27 year career. A native of Nova Scotia, he spent several years as an exploration geologist in Western Canada before returning to join the Province in 1982. He held positions as Senior Policy Analyst with the Priorities and Planning Secretariat, Director of Energy Transportation and Utilization with the N.S. Petroleum Directorate and Executive Director of Policy with the Department of Energy, during which time he was responsible for development of the Province's new Energy Strategy. His last five years with the Province were spent as Deputy Minister of Economic Development. He has served in various capacities on the Boards of Nova Scotia Business Inc, InNOVAcorp, and the Greater Halifax Partnership, Chair of Deputy Ministers Forum on Sustainable Prosperity and Vice Commodore of the Armdale Yacht Club. He holds an Honours Degree in Geology from Dalhousie University and a Masters of Business Administration from the University of British Columbia. Paul resides in Halifax, Nova Scotia.

FIGURE 13: CNSOPB ORGANIZATIONAL CHART AS OF MARCH 31, 2011



11.0 FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the members of Canada-Nova Scotia Offshore Petroleum Board:

We have audited the accompanying financial statements, which comprise the statement of financial position of the Canada-Nova Scotia Offshore Petroleum Board as at March 31, 2011 and the statement of revenue and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Canada-Nova Scotia Offshore Petroleum Board as at March 31, 2011, and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Halifax, Nova Scotia
May 13, 2011

LEVY CASEY CARTER MACLEAN
Chartered Accountants

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2011

ASSETS	2011	2010
Current		
Cash	$ 1,773,072	$ 1,835,960
Receivables, trade	96,998	90,626
Prepaid expenses	192,192	181,750
	2,062,262	2,108,336
Property and equipment (note 3)	537,814	928,611
Internally restricted investments (note 2(h))	1,569,388	1,400,423
	$ 4,169,464	$ 4,437,370
LIABILITIES		
Current		
Payables and accruals, trade	$ 586,234	$ 711,110
Payable to governments (note 5)	806,778	777,520
Deferred grants – GRC (note 6)	102,194	102,194
	1,495,206	1,590,824
Deferred capital grant (note 2(b))	335,271	551,437
Deferred capital grants – GRC (note 2(c))	202,543	377,174
Supplementary employee retirement plan obligation (note 7)	415,616	395,260
Post-retirement health and retiring allowance obligation (note 8)	1,270,237	1,138,306
	3,718,873	4,053,001
Commitments (note 11) and contingent liability (note 10)		
NET ASSETS		
Internally restricted net assets (page 4)	34,770	-
Unrestricted net assets (page 4)	415,821	384,369
	450,591	384,369
	$ 4,169,464	$ 4,437,370

Approved by the Board

Diana Lee Dalton

Board member

Board member

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF REVENUE AND EXPENDITURES
YEAR ENDED MARCH 31, 2011

	2011	2010
Revenue		
Operating Grants		
Government of Canada	$ 3,350,000	$ 3,350,000
Government of Nova Scotia	3,350,000	3,350,000
	6,700,000	6,700,000
Add:		
Costs recovered from industry	3,204,899	3,110,076
Interest and other	44,555	15,356
Gain on disposal of property and equipment	956	1,566
Amortization of deferred capital gains	277,829	299,600
Amortization of deferred GRC grant – capital portion	174,631	374,961
Amortization of deferred GRC grant – operating portion	-	362
	10,402,870	10,501,921
Less:		
Cost recoveries refunded to government	(3,204,899)	(3,110,076)
Deferred capital grants	(61,659)	(295,995)
Net revenue	7,136,312	7,095,850
Expenditures		
Personnel, consulting and board members	4,442,767	4,294,479
General office and support	1,071,229	1,074,165
Office and laboratory premise costs	576,679	570,445
Amortization of property and equipment	277,829	299,600
Amortization of GRC property and equipment	174,631	374,961
GeoScience research centre	-	362
Supplementary employee retirement plan cost (recovery)	32,192	(33,700)
Post-retirement health and retiring allowance cost	135,163	121,169
Diving certification	10,000	10,000
	6,720,490	6,711,481
Excess of revenue over expenditures from operations	$ 415,822	$ 384,369

STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2011

	INTERNALLY RESTRICTED	UNRESTRICTED	TOTAL 2011	2010
Balance, beginning of year	$ -	$ 384,369	$ 384,369	$ 255,532
Excess of revenue over expenditures	-	415,822	415,822	384,369
Net investment income (note 4)	34,770	-	34,770	-
Repayment to Government of Canada	-	(192,185)	(192,185)	(127,766)
Repayment to Government of Nova Scotia	-	(192,185)	(192,185)	(127,766)
Balance, end of year	$ 34,770	$ 415,821	$ 450,591	$ 384,369

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2011

	2011	2010
Operating Activities		
Excess of revenue over expenditures	$ 450,592	$ 384,369
Amortization of deferred capital grants	(277,829)	(299,600)
Amortization of deferred GRC capital grants	(174,631)	(374,961)
Amortization of property and equipment	277,829	299,600
Amortization of GRC property and equipment	174,631	374,961
Gain on disposal of property and equipment	(956)	(1,566)
Unrealized loss on investments	1,433	-
Supplementary employee retirement plan cost (note 7)	20,356	16,575
Post-retirement health and retiring allowance cost (note 8)	131,931	118,771
	603,356	518,149
Net change in non-cash working capital balances related to operations (note 9)	(112,432)	(1,131,091)
	490,924	(612,942)
Financing Activities		
Repayment to Government of Canada	(192,185)	(127,766)
Repayment to Government of Nova Scotia	(192,185)	(127,766)
	(384,370)	(255,532)
Investing Activities		
Proceeds on disposal of property and equipment	956	1,566
Purchase of		
Leasehold improvements	(8,760)	(59,482)
Furniture and equipment	(5,759)	(2,853)
Computer equipment	(38,599)	(231,031)
Computer software	(8,541)	(2,629)
Deferral of capital grants	61,659	295,995
Redemption of guaranteed investment certificate	1,400,423	-
Purchase of guaranteed investment certificate	-	(153,125)
Increase in accrued interest on investment	(19,953)	-
Purchase of investments	(1,682,714)	-
Proceeds on disposal of investments	132,016	-
	(169,272)	(151,559)
Decrease in cash during year	(62,718)	(1,020,033)
Cash, beginning of year	1,835,960	2,855,993
Cash, end of year	$ 1,773,242	$ 1,835,960
Represented by:		
Cash	$ 1,773,072	$ 1,835,960
Internally restricted investment cash	170	
	$ 1,773,242	$ 1,835,960

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

Notes to Financial Statements March 31, 2011

1. PURPOSE OF ORGANIZATION

The Canada-Nova Scotia Offshore Petroleum Board was formed to administer the relevant provisions of the Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Acts enacted by the Parliament of Canada and the Legislature of Nova Scotia. The Board is funded primarily by grants from the Federal and Provincial Governments in equal contributions. The Board also collects and remits to the Governments cost recovery charges assessed against industry from regulatory reviews, up to a maximum of 50% of the Board's approved budget. The Board is a non-profit organization and is, therefore, exempt from income tax under Section 149 of the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

(A) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost, less accumulated amortization. Capital asset purchases under $2,500 will be recorded as expenditures. Amortization is recorded using the straight-line method over four years for furniture, fixtures and equipment and over three years for computer equipment and software. Leasehold improvements are amortized over the life of the lease.

(B) DEFERRED CAPITAL GRANTS

Federal and provincial grants received for capital expenditures are deferred and recognized into revenue on a basis consistent with the capital assets amortization charge.

(C) DEFERRED GRC GRANTS

Federal and provincial grants received for expansion of the GeoScience research centre are deferred and recognized into revenue on a basis consistent with the capital assets amortization charge and operating expenses as approved by the Board.

(D) USE OF ESTIMATES

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

(E) REVENUE RECOGNITION

Operating grants and cost recoveries are recognized as earned when invoiced and are based on an approved budget. Investment income is recorded as earned.

(F) SUPPLEMENTARY EMPLOYEE RETIREMENT PLAN OBLIGATION

Future salary levels and inflation affect the amount of future pensions. The projected benefit method prorated on services has been used to determine the accrued benefit obligation and current service cost.

The Board has elected to amortize past service costs resulting from plan amendments on a linear basis over the average remaining service period of active members expected to receive benefits under the plan (5 years as at March 31, 2008, 4 years as at March 31, 2011).

Cumulative gains and losses in excess of 10% of the accrued benefit obligation are amortized over the average remaining service period of active members expected to receive benefits under the plan (5 years as at March 31, 2008, 4 years as at March 31, 2011).

Obligations are attributed to the period beginning on the employee's date of joining the plan and ending on the earlier of the date of termination, death or retirement.

The Board's fiscal year end date is March 31 and the measurement date of the plan's assets and obligations is March 31.

(G) POST-RETIREMENT HEALTH AND RETIRING ALLOWANCE OBLIGATION

Employees of the Board participate in the Province of Nova Scotia Pensioners Extended Health Plan upon retirement. This plan provides health care coverage to age 65. Employees are also eligible for one week of salary for each year of pensionable service, to a maximum of 26 weeks for Board staff who retire upon becoming eligible for retirement. These retirement benefits are recorded on an accrual basis based on an actuary's estimate.

The Board has elected to amortize past service costs resulting from program amendments on a linear basis over the expected average remaining service period (to full eligibility) of active members expected to receive benefits under the programs (12 years and 10 years for the post-retirement health program as at March 31, 2008 and March 31, 2011 respectively, 14 years and 13 years for the retiring allowance program as at March 31, 2008 and March 31, 2011 respectively).

Cumulative gains and losses in excess of 10% of the beginning of year accrued benefit obligation are amortized over the expected average remaining service of active members expected to receive benefits under the programs (14 years and 13 years as at March 31, 2008 and March 31, 2011 respectively).

Obligations are attributed to the period beginning on the member's date of hire and ending on the date the member reaches first full year of eligibility for benefits for the post-retirement health program and date of retirement for the retiring allowance program.

The Board's fiscal year end date is March 31 and the measurement date of the programs' obligations is March 31.

(H) INTERNALLY RESTRICTED INVESTMENTS

The Board has restricted an investment portfolio (2010 - guaranteed investment certificate) to fund the Board's obligations for supplementary employee retirement plans and post-retirement health and retiring allowances.

(I) FINANCIAL INSTRUMENTS

The Board classifies its financial instruments into one of the following categories, with its accounting policy for each as follows:

ASSETS AVAILABLE FOR SALE

Financial instruments classified as assets or liabilities available for sale are reported at fair value at each balance sheet date, and any change in fair value is recognized on the statement of revenue and expenditures in the period during which the change occurs. Cash and investments have been classified as available for sale.

RECEIVABLES AND OTHER FINANCIAL LIABILITIES

Financial instruments classified as receivables and other financial liabilities are carried at amortized cost using the effective interest method. Interest income or expense is included in the statement of revenue and expenditures over the expected life of the instrument. Accounts receivable have been designated as receivables. Payables and accruals, supplementary employee retirement plan obligations and post-retirement health and retiring allowance obligations have been designated as other financial liabilities.

3. PROPERTY AND EQUIPMENT – GENERAL

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	$ 601,239	$ 472,807	$ 128,432	$ 158,893
Furniture and fixtures	437,438	423,532	13,906	22,662
Computer equipment	988,272	831,258	157,014	236,866
Computer software	625,121	599,654	25,467	100,965
Equipment	168,035	157,583	10,452	32,031
	2,820,105	2,484,834	335,271	551,437
Property and equipment - GRC				
Leasehold improvements	671,782	473,622	198,160	317,062
Furniture and fixtures	50,228	49,065	1,163	8,605
Computer equipment	971,464	970,899	565	9,743
Computer software	202,791	202,791	-	33,798
Equipment	21,242	18,587	2,655	7,966
	1,917,507	1,714,964	202,543	377,174
	$ 4,737,612	$ 4,199,798	$ 537,814	$ 928,611

4. INVESTMENT ACTIVITY

	2011	2010
Investment income	42,861	-
Management fees	(6,658)	-
Unrealized loss on investments	(1,433)	-
	$ 34,770	$ -

5. PAYABLE TO GOVERNMENT

	2011	2010
Federal government - cost recovery funds	$ 403,389	$ 388,760
Provincial government - cost recovery funds	403,389	388,760
	$ 806,778	$ 777,520

6. DEFERRED GRANTS – GRC

The Government of Nova Scotia provided a grant in its 2005-06 budget in the amount of $1,000,000 and a further $221,400 in 2006-07 to support the Board's initiatives to improve the management and dissemination of geological data. The Government of Canada provided a grant of $850,000 in 2006-07 and a further $371,400 in 2007-08 for the same purpose. As at March 31, 2011, there is $102,194 (2010 - $102,194) remaining to be spent of these grants. The grants are being accounted for as described in note 2(c).

7. PENSION OBLIGATIONS

(a) Supplementary employee retirement plan (SERP)

The Board Supplementary Employee Retirement Plan provides benefits to its employees who are members of the Public Service Superannuation Plan (PSSP). Employees are eligible for membership in this plan once their pensionable earnings have reached a level such that their benefits under the PSSP are limited by the maximum pension limits under the Income Tax Act.

The Board measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at March 31 of each year. The most recent actuarial valuation of the retirement plan for funding purposes was as of March 31, 2011. An updated actuarial valuation will be done at least every three years.

The Board has adopted the recommendations of Section 3461 of the CICA Handbook. The following is required for disclosure purposes:

Pension Obligations continued...

	2011	2010
Components of Net Periodic Pension Cost		
Current service cost	$ 15,724	$ 11,378
Interest cost	24,431	26,180
Plan amendments	(11,062)	-
Amortization of net actuarial loss (gain)	3,099	(9,184)
Net periodic pension cost recognized	$ 32,192	$ 28,374
Weighted-Average Assumptions for Expense		
Discount rate	6.05%	8.50%
Rate of compensation increase	2.50%	2.50%
Weighted-Average Assumptions for Disclosure		
Discount rate	5.75%	6.25%
Rate of compensation increase	2.50%	2.50%
Change in Accrued Benefit Obligation		
Accrued benefit obligation at the end of the prior year	$ 436,571	$ 302,516
Current service cost	15,724	11,378
Interest cost	24,431	26,180
Plan amendments	(60,266)	-
Benefits paid	(11,836)	(11,799)
Actuarial loss	28,857	108,296
Accrued benefit obligation at the end of the year	$ 433,481	$ 436,571
Reconciliation of Funded Status to Accrued Benefit Liability		
Benefit obligation at end of year	$ 433,481	$ 436,571
Unamortized past service costs	49,204	-
Unamortized net actuarial loss	(67,069)	(41,311)
Accrued benefit liability	$ 415,616	$ 395,260

(B) MULTIEMPLOYER DEFINED BENEFIT PENSION PLAN

The Board contributes to a pension plan under the Public Service Superannuation Act administered by the Province of Nova Scotia. The Board matches employees' contributions calculated as follows: 8.4% (2010 - 7.4%) on that part of their salary that is equal to or less than the "Year's Maximum Pensionable Earnings" (YMPE) under the Canada Pension Plan and 10.9% (2010 - 9.6%) on the part of their salary that is in excess of the YMPE. The Board has recognized contributions of $300,447 in 2011 (2010 - $274,821). There is no further liability with respect to past service at March 31, 2011.

8. POST-RETIREMENT HEALTH AND RETIRING ALLOWANCE OBLIGATIONS

The Board provides other retirement benefits to its employees by participating in the Province of Nova Scotia's post retirement health insurance program and also provides retiring allowance benefits to those employees who retire from the Board. Both benefits are funded on a pay-as-you-go basis. The Board funds on a cash basis as contributions are made.

An actuarial valuation was prepared for the first time for the fiscal year ended March 31, 2008 and a second valuation was prepared for the fiscal year ended March 31, 2011. The valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the Board's best estimates.

	2011	2010
Components of Net Periodic Benefit Cost		
Current service cost (employer portion)	$ 80,114	$ 56,049
Interest cost	68,972	72,554
Actuarial gain	(802)	-
Net periodic benefit cost recognized	$ 148,284	$ 128,603
Weighted-Average Assumptions for Disclosure		
Discount rate	5.50%	5.75%
Initial weighted average health care trend rate	6.83%	6.69%
Ultimate weighted average health care trend rate	4.50%	4.50%
Year ultimate rate reached	2025	2016
Change in Accrued Benefit Obligation		
Accrued benefit obligation at the end of the prior year	$ 1,127,585	$ 852,880
Current service cost (employer portion)	80,114	56,049
Interest cost	68,972	72,554
Plan amendments	-	-
Benefits paid	(16,353)	(4,019)
Actuarial loss	54,670	150,121
Accrued benefit obligation at the end of the year	$ 1,314,988	$ 1,127,585
Reconciliation of Funded Status to Accrued Benefit Liability		
Deficit at the end of year	$ 1,314,988	$ 1,127,585
Unamortized net actuarial gain (loss)	(44,751)	10,721
Accrued benefit liability	$ 1,270,237	$ 1,138,306

9. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

	2011	2010
Increase (decrease) in cash from changes in:		
Receivables	$ (6,372)	$ 157,971
Prepaid expenses	(10,442)	21,752
Payables and accruals	(124,876)	154,863
Payable to government	29,258	(1,465,315)
Deferred grants	-	(362)
	$ (112,432)	$ (1,131,091)

10. CONTINGENT LIABILITY - SICK LEAVE

In accordance with the Board's sick leave policy, the staff have accumulated sick days, at a total possible cost of approximately $44,850 (2010 - $18,316). These days are only available for required sick leave, and will not be paid out upon termination of employment. Any sick leave settlements will be charged to income in the period in which they occur.

11. COMMITMENTS

The Board has entered into various lease agreements for premises and equipment. The approximate payments required over the next five years are as follows:

2012	$ 267,028
2013	$ 260,851
2014	$ 184,768
2015	$ 186,964
2016	$ 186,964

12. FINANCIAL INSTRUMENTS

(A) CREDIT RISK MANAGEMENT

The Board is exposed to credit risk on the accounts receivable from its clients. In order to reduce its credit risk, the Board has adopted credit policies which include the analysis of the financial position of its clients and the regular review of their credit limits. The Board does not have a significant exposure to any individual client.

(B) INTEREST RATE RISK

The Board manages its investments based on its cash flow needs and with a view to maximize returns but still allow for liquidity should the need arise. The investments held as of March 31, 2011 are invested in guaranteed investment certificates, debentures, bonds, mid and medium term notes and high-interest savings accounts with fixed interest rates ranging from 1.960% - 6.821% with maturity dates between May 2011 to March 2020.

13. CAPITAL MANAGEMENT

(A) GENERAL POLICY

The Board considers its capital to be the balance maintained in its Unrestricted Net Assets. The primary objective of the Board is to invest its capital in a manner that will allow it to continue as a going concern and comply with its stated objectives. Capital is invested under the direction of the Board with the objective of providing a reasonable rate of return, minimizing risk and ensuring adequate liquid investments are on hand for current cash flow requirements. The Board is not subject to any externally imposed requirements of its Capital.

(B) INVESTMENT POLICY FOR SUPPLEMENTARY EMPLOYEE RETIREMENT PLAN AND POST-RETIREMENT HEALTH AND RETIRING ALLOWANCE

The Board has set aside funds with the intention to ensure there are sufficient funds available to support the present and future obligations of the Board's supplementary employee retirement plan and post-retirement health and retiring allowance. The primary objective of the Board is to invest these funds in low-risk instruments to maximize returns but still allow for liquidity should the need arise.

VISIT THE BOARD ONLINE AT WWW.CNSOPB.NS.CA

Here you will find up-to-date reports and data including:

- Regulatory Framework: Legislation, regulations, guidelines and other regulatory documents.
- Offshore oil and gas production data.
- Licence Registry information including new ELs, SDLs, PLs and transfers of ownership.
- Calls for Bids Information.
- Environmental Assessment Registry – Information including newly posted information for active EAs.
- Weekly Activity Reports – Detailing current offshore activities.
- Annual and Semi-Annual Benefits Reports submitted for the Sable Offshore Energy Project and Deep Panuke Offshore Gas Development.
- Spills to Sea statistics.
- Injury statistics.
- Geological and geophysical information.
- Data Management Centre – Access to digital geoscience data available at www.cnsopbdmc.ca

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